

LIBRARY OF PARLIAMENT

LIBRARY OF PARLIAMENT

3 2354 00409 734 4

DATE DUE

FEB FEB	29	1996
JUL JUL	16	2007
APR APR	15	2005
GAYLORD		PRINTED IN U.S.A.

GAYLORD

PRINTED IN U.S.A.

J

103

H7

1906/7

I5

A12

REPORTS

OF THE

SPECIAL COMMITTEE OF THE HOUSE OF COMMONS

TO WHOM WAS REFERRED

BILL No. 2

AN ACT RESPECTING

INDUSTRIAL AND CO-OPERATIVE SOCIETIES

ALSO WITH

MINUTES OF PROCEEDINGS AND EVIDENCE, ADDENDUM TO
EVIDENCE, AND EXHIBIT No. 1



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

[App. No. 3—1907.]

J
103
H7
1906/7
I5
A12



SPECIAL COMMITTEE
ON
BILL NO. 2, AN ACT RESPECTING INDUSTRIAL AND CO-OPERATIVE SOCIETIES
1906-07

ORDER OF REFERENCE.

HOUSE OF COMMONS,
WEDNESDAY, December 5, 1906.

Resolved,—That the Bill No. 2, An Act respecting Industrial and Co-operative Societies, be referred to a Special Committee, to be named at the next sitting of the House.

Attest,

THOS. B. FLINT,
Clerk of the House.

WEDNESDAY, December 12, 1906.

Ordered,—That Messieurs Aylesworth, Lemieux, Smith (Nanaimo), Bourassa, Verville, Gervais, Sinclair, White and Monk do compose the said Committee.

Attest,

THOS. B. FLINT,
Clerk of the House.

TUESDAY, December 18, 1906.

Ordered,—That the said Committee have leave to report from time to time.

Attest,

THOS. B. FLINT,
Clerk of the House.

TUESDAY, December 18, 1906.

Ordered,—That the said Committee be empowered to send for persons, papers and records, and to examine witnesses under oath or affirmation; and

That they be authorized to employ a shorthand writer to take down such evidence or proceedings as they may deem necessary.

Attest,

THOS. B. FLINT,
Clerk of the House.

FRIDAY, February 8, 1907.

Ordered,—That the evidence being taken by the said Committee be printed day by day for the use of the Members of the Committee, and that Rule 72 be suspended in relation thereto.

Attest,

THOS. B. FLINT,
Clerk of the House.

REPORTS OF THE SPECIAL COMMITTEE TO WHOM WAS REFERRED
Bill No. 2, AN ACT RESPECTING INDUSTRIAL AND
CO-OPERATIVE SOCIETIES.

FIRST REPORT.

TUESDAY, December 18, 1906.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their First Report.

Your Committee recommend:—

1. That they be empowered to send for persons, papers and records, and to examine witnesses under oath or affirmation; and

2. That they be authorized to employ a shorthand writer to take down such evidence or proceedings as they may deem necessary.

All which is respectfully submitted.

R. LEMIEUX,
Chairman.

SECOND REPORT.

FRIDAY, February 8, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their Second Report.

Your Committee recommend that the evidence being taken by them be printed day by day for the use of the Members of the Committee, and that Rule 72 be suspended in relation thereto.

All which is respectfully submitted.

R. LEMIEUX,
Chairman.

THIRD REPORT.

FRIDAY, March 1, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their Third Report.

Your Committee recommend that leave be granted to them to sit while the House is in session.

All which is respectfully submitted.

R. LEMIEUX,
Chairman.

FOURTH REPORT.

THURSDAY, April 11, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their Fourth Report:—

Your committee have had under consideration Bill No. 2, An Act respecting In-

APPENDIX No. 3

dustrial and Co-operative Societies, and have agreed to report the same with amendments.

Your committee have held several sittings and taken the evidence of a number of witnesses as to the possible advantages to Canada of legislation upon the lines indicated in above-mentioned Bill, which authorizes the formation of co-operative associations.

From this evidence, derived from persons who have made a special study of the co-operative movement in Europe, it appears clearly that co-operation offers very great advantage to the farming classes, particularly in certain branches of agricultural pursuits, such as dairying, market gardening and fruit culture. Co-operation has also been proved of great use in the purchase by farmers of agricultural implements and fertilizers.

Your committee found that co-operation offers a means for the labouring classes to purchase, under the most favourable terms, the necessities of life and the articles required for the exercise of any trade. It also provides a system by which the wage-earners can either build or acquire their own homes, by means of small loans from credit and savings societies.

Your committee have given the credit and savings feature of the Bill their special consideration and have arrived at the conclusion that any general movement to foster co-operations destined to provide small loans and means of investment for people whose situation removes them from the sphere of action of our ordinary banks.

In dealing, however, with this feature of the proposed measure, your committee have provided special clauses destined to surround the exercise of the credit and savings power by these societies with all necessary guarantees to prevent any possible abuse.

The interesting experiment made by Mr. Alphonse Desjardins with the institution known as 'La Caisse Populaire de Lévis,' establishes clearly that this special form of co-operation is productive of the best results and can be carried out without risk, if under proper control.

This control and supervision your committee have sought to ensure in the Bill.

The witnesses heard by your committee are persons well versed in the co-operative movement since its inception ; their testimony bears out with singular unanimity the conclusion to which your committee have arrived, that the proposed Bill, as amended by your committee, if enacted, would be productive of the best results, and your committee therefore recommend that the government take charge of the measure and have it passed.

Your committee also report herewith their minutes of proceedings and evidence, and the exhibits filed, and recommend that the same be printed, with the exception of exhibits from Nos. 2 to 10, inclusive.

All of which is respectively submitted,

R. LEMIEUX,
Chairman.

7 EDWARD VII., A. 1907

MINUTES OF PROCEEDINGS.

COMMITTEE ROOM,
TUESDAY, December 18, 1906

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 11 o'clock a.m., for organization. Present: Messieurs Aylesworth, Lemieux, Monk, Sinclair, Smith (Nanaimo), and Verville—6.

The Committee being called to order,—

On motion of Mr. Aylesworth,

Mr. Lemieux was chosen chairman of the Committee.

Mr. Monk explained the provisions of the Bill.

On motion of Mr. Monk, it was

Resolved, That a report be made to the House recommending:—1st, That the Committee be empowered to send for persons, papers and records, and to examine witnesses under oath or affirmation; 2. That they be authorized to employ a shorthand writer to take down such evidence or proceedings as they deem necessary.

On motion of Mr. Monk, it was

Ordered, That Mr. Alphonse Desjardins, President-Manager of *La Caisse Populaire de Lévis*, and Mr. W. L. Mackenzie King, M.A., LL.B., Deputy Minister of Labour, and Editor of the *Labour Gazette*, be requested to attend the next meeting.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
FRIDAY, February 8, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present:

Messieurs Lemieux (in the chair), Bourassa, Monk, Sinclair, Smith (Nanaimo), Verville and White.—7.

On motion of Mr. Monk, it was

Resolved, That a report be made to the House recommending that the evidence taken by the Committee be printed day by day for the use of the Committee.

Mr. Alphonse Desjardins was then called and examined in part by Mr. Monk and others.

During his examination, the Constitution or By-laws of *La Caisse Populaire de Lévis*, in the English and French versions, were filed and marked as Exhibits No. 1 and No. 1a, respectively.

A statistical statement of the operations of the said Caisse was also filed and marked as Exhibit No. 2.

Mr. Desjardins was by the Committee instructed to prepare as supplementary to his evidence a general statement based on the opinions of leading authorities on the subject of Co-operative Credit or Banking, and to submit the same as an addendum to the Minutes of Evidence.

The Committee adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

APPENDIX No. 3

COMMITTEE ROOM,
WEDNESDAY, February 20, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present:

Messieurs Lemieux (in the chair), Bourassa, Gervais, Monk, Verville, Smith (Nanaimo), and White.—7.

Committee resumed the examination of Mr. Desjardins.

During his further examination, the following papers were filed and marked as Exhibit No. 3.—Statement of the operations of *La Caisse Populaire de St. Malo*, from its organization up to February 13, 1907.

Exhibit No. 4.—Statement relating to *La Caisse Populaire de St. Joseph de Lévis*, up to the 14th February, 1907.

On motion of Mr. Monk, it was

Resolved, That Prof. Shortt, of Queen's University, Kingston, be invited to attend the next meeting.

On motion of Mr. Smith (Nanaimo), it was

Resolved, That Messrs. Ruddick and McNeill, officers of the Department of Agriculture, Ottawa, be requested to attend the next meeting of the Committee.

On motion of Mr. Monk, it was

Resolved, That Mr. F. O. Dugas, M.P., be invited to attend the next meeting.

The Committee then adjourned until Friday, 22nd instant.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
FRIDAY, February 22, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting the Industrial and Co-operative Societies, met at 10.30 a.m. Present:

Messieurs Lemieux (in the chair), Bourassa, Monk, Smith (Nanaimo), Verville and White.—6.

Mr. F. O. Dugas, M.P., attended as per invitation, and was examined by Mr. Monk and others.

Mr. J. A. Ruddick, Dairy and Cold Storage Commissioner, was called, and examined by Mr. Monk and others, and discharged from further attendance.

During his examination, a report on Co-operative Agriculture and Rural Conditions in Denmark (prepared by the members of a deputation sent to the country by the Department of Agriculture and Technical Instruction for Ireland), was filed and marked as Exhibit No. 5.

Prof. Adams Shortt, of Queen's University, Kingston, was called and examined in part by the Chairman and others.

Resolved,—That in order to give Prof. Shortt an opportunity to read the by-laws of *La Caisse Populaire de Lévis*, his examination be now discontinued, to be resumed on Friday, 1st March next.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

7 EDWARD VII., A. 1907

COMMITTEE ROOM,

FRIDAY, March 1, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 11 a.m. Present: Messieurs Lemieux (in the chair), Monk, Sinclair, Smith (Nanaimo), Verville and White—6.

Professor Shortt's examination was resumed and concluded.

On motion of Mr. Monk, it was

Resolved.—That a report be made to the House recommending that leave be granted to the Committee to sit while the House is in session.

Mr. A. McNeill, chief of the Fruit Division, Department of Agriculture, was called and examined, and discharged from further attendance.

The Chairman expressed his desire to hear the evidence of some bankers on the sections of the bill relating to banking.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,

Clerk of Committee.

COMMITTEE ROOM,

THURSDAY, March 7, 1907.

The Special Committee to whom was referred the Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present :

Messieurs Lemieux (in the chair), Monk, Smith (Nanaimo), Verville, and White—5.

Messrs. E. M. Trowern, of Toronto; H. C. Ellis, of Ottawa; and J. A. Beaudry, of Montreal, respectively, secretary, 2nd vice-president, and treasurer of the Retail Merchants' Association of Canada, were present at their own request, and allowed to be heard.

Leave was granted to Mr. Trowern to send to the Clerk of the Committee copy of certain letters, &c., referred to in his evidence as unfavourable to the principle of co-operation, said letters to be filed and marked as exhibits (No. 9 and No. 10).

Mr. W. L. Mackenzie King, C.M.G., Deputy Minister of Labour, was then called and examined in part.

During his examination, a publication on 'Co-operation in New England,' by Edward W. Bemis, Ph. D., was filed and marked as Exhibit No. 6.

The Committee then adjourned until Tuesday next, 12th instant.

Attest,

N. ROBIDOUX,

Clerk of Committee.

COMMITTEE ROOM,

TUESDAY, March 12, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present :

Messieurs Lemieux (in the chair), Monk, Smith (Nanaimo), Verville, and White—5.

Mr. King's examination resumed and concluded.

APPENDIX No. 3

During his examination, a copy of *The Canadian Co-operator*, a monthly magazine published in Whitby, Ont., was filed and marked as Exhibit No. 7.

Also, witness submitted for the use of the Committee, reports from the Workmen's Store Company, Limited, Dominion, C.B.; the British Canadian Co-operative Society, Limited, Sydney, N.S.; and Glace Bay Co-operative Society, Limited; and also, the Rules and Regulations of the Guelph Co-operative Association, Limited.

Mr. Monk offered Mr. King the thanks of the Committee for his researches and studies on the subject-matter covered by the provisions of the Bill under consideration.

Mr. Monk read a letter from Mr. Pierre Jay, of Boston, addressed to Mr. Alphonse Desjardins, on the subject of co-operation. (Said letter to be filed and to form part of the appendix to the Minutes of Evidence.)

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,

TUESDAY, March 26, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 12 o'clock (noon). Present:

Messieurs Lemieux (in the chair), Monk, Sinclair, Smith (Nanaimo), Verville and White. Also, Senators and other Members of Parliament.

His Excellency the Governor General, at the special request of the Chairman, was pleased to attend this meeting of the Committee in his capacity as President of the International Co-operative Alliance, and gave his views on the subject of co-operation: its birth, growth and success in the Mother Country and on the Continent.

At the conclusion of His Excellency's address, on motion of Mr. Monk, seconded by Mr. Smith (Nanaimo), it was

Resolved, That this Committee desires to place on record its indebtedness to Earl Grey, and tender His Excellency its thanks for his attendance this morning, and for the valuable information he has given this Committee, as well as for his deep interest in the cause of co-operation.

An article by Henry Vivian, M.P., on 'Co-partnership in Housing,' published in the *Garden, Suburbs, Villages and Homes*, was submitted by His Excellency and marked as Exhibit No. 8.

After which His Excellency retired.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,

FRIDAY, April 5, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 4 o'clock p.m., Mr. Lemieux in the chair.

On invitation, Mr. George H. Perley, M.P., was pleased to attend this meeting of the Committee, and gave his views on the provisions of the Bill under consideration.

7 EDWARD VII., A. 1907

Mr. Alphonse Desjardins was again heard.

The Committee adjourned to the call of the chair.

Attest,

N. ROBIDOUX,

Clerk of Committee.

COMMITTEE ROOM,

THURSDAY, April 11, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met. Present : Messrs. Lemieux (in the chair), Monk, Sinclair, Smith (Nanaimo), Verville and White.—6.

The committee proceeded to the consideration of the Bill, and amended several sections thereof.

On motion of Mr. Monk, it was :

Resolved, That the title of the Bill be changed to that of 'An Act respecting Co-operation.'

Ordered, That the Bill as amended be reprinted and reported to the House.

The committee then adjourned *sine die*,

Attest,

N. ROBIDOUX,

Clerk of Committee.

WITNESSES.

	Page.
Beaudry, J. A.	67
Desjardins, A.	3, 106
Dugas, F. O., M.P.	31
Ellis, H. C.	67
His Excellency the Governor General.	89
King, W. L. Mackenzie, C.M.G.	70
McNeill, A.	48
Perley, George H., M.P.	105
Ruddick, J. A.	32
Shortt, Prof. A.	38
Trowern, E. M.	53

LIST OF EXHIBITS.

- No. 1.—Constitution or By-laws of *La Caisse Populaire de Lévis*, (English version).
(*Printed.*)
- N. 1a.—Constitution or By-laws of *La Caisse Populaire de Lévis* (French version).
(*Not printed.*)
- No. 2.—Statistical statement of the operations of *La Caisse Populaire de Lévis*. (*Not printed.*)
- No. 3.—Statistical statement of the operations of *La Caisse Populaire de St. Malo*.
(*Not printed.*)
- No. 4.—Statistical statement of the operations of *La Caisse Populaire de St. Joseph de Lévis*. (*Not printed.*)
- No. 5.—Report on Co-operative Agriculture and Rural Conditions in Denmark. (*Not printed.*)
- No. 6.—Publication on 'Co-operation in New England,' by Edward W. Bemis, Ph. D. (*Not printed.*)
- No. 7.—Copy of *The Canadian Co-operator*, a monthly magazine published in Whitby, Ontario. (*Not printed.*)
- No. 8.—Copy of *Garden, Suburbs, Villages and Homes*, containing an article by Henry Vivian, M.P., on 'Co-partnership in Housing.' (*Not printed.*)
- No. 9.—Prize letter on co-operation written by a Clackmannanshire woman in reply to a series of letters in favour of co-operation published in the *Weekly Scotchman*, January 12, 1907. (*Not printed.*)
- No. 10.—A Farmer's Bitter Complaint, published in the *Weekly Scotchman*, January 12, 1907. (*Not printed.*)

MINUTES OF EVIDENCE

MINUTES OF EVIDENCE.

HOUSE OF COMMONS,
COMMITTEE ROOM No. 30,
FRIDAY, February 8, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 10.30 a.m., Mr. Lemieux in the Chair.

Mr. MONK.—Whatever may be the fate of this Bill, I think the information we are going to gather will be valuable not only to ourselves but to the House and to the public generally. I therefore move that we report to the House that the evidence taken from day to day be printed day by day for the use of the Committee.

The CHAIRMAN.—Was that not understood ?

Mr. MONK.—There is no record. We simply obtained authority to employ a stenographer.

The CHAIRMAN.—It is moved by Mr. Monk that a report be made to the House that the evidence taken day by day be printed day by day for the use of the Committee. Is it the pleasure of the Committee to adopt this motion ?

Carried.

Mr. ALPHONSE DESJARDINS, president and manager of 'La Caisse Populaire de Lévis,' was called and examined.

By Mr. Monk :

Q. Mr. Desjardins, do you prefer to give your evidence in English ?—A. Yes, I shall do my best.

Q. Mr. Desjardins, have you had any occasion to study co-operative societies as they exist in Europe ?—A. Yes, sir, I have been studying that question for the last ten or twelve years. I have devoted much of my time and attention to it, and, moreover, I have had the advantage for the last ten years of having an interchange of correspondence with almost all the leaders of that movement in Europe, in Italy, Germany, Austria, France, Belgium and England. I have thereby gathered a large stock of information which is not even to be had in the books published up to date. Those details are more of a particular nature of the movement in each country, but still at the same time give a fair idea of the possibilities of that movement.

Q. Would you state to the Committee briefly the advantages which have resulted from the adoption of the co-operative system in some of those countries, in Germany, Italy, France, England and Belgium, and perhaps, also, what kind of co-operative associations exist at the present time particularly in those different countries ?—A. Well, as far as the first part of your question is concerned I can only give a very general outline of the advantages derived from co-operation. One of them is an essential feature of it. The poor people are thereby brought up to an astonishing level of education so far as economics are concerned. They know what is the nature of capital. They know its relation to the rest of the social life and thereby a good deal of prejudice is abated. Now when you go down into the details of it, one of the great advantages of co-operation is that it teaches people how to do their own business instead of relying upon a middleman. If you go further into the details and take, for instance, the banking aspect of the movement you will find that it has taught people

7 EDWARD VII., A. 1907

the great advantages of economy, thrift, saving, and above all, it has taught them the value of the cents, the small savings. If you ask the poor man to save money, he will tell you: 'Well, my friend, I would but I have no money.' When you go further and you ask him, 'Have you not cents sometimes in your pockets,' he will reply 'of course, but that is not money,' and, therefore, having but cents in his pockets he never thinks of saving, because it is not worth while. On the other hand, if you teach him that saving can be exercised with great advantage upon those few cents, you will create in a very short time a very large capital, because it is not units that count here but the quantity of units.

By Mr. Bourassa :

Q. And if they find a use for the cents it will induce them to put more aside?—A. Exactly. The first move is the most difficult one to secure. The moment you have succeeded in convincing a man that he must put something aside he says, 'that is a dollar, I never thought I could save that much'; then two dollars and then five dollars, and so on.

By the Chairman :

Q. You spoke of saving. What is the difference between penny banks and bank under your system?—A. Well, the penny banks do not go in for the same class of loans. Of course, the penny bank does not usually exist except in some large centre or large town.

Q. Not in rural communities?—A. Hardly in rural communities because the penny bank is usually fostered by some philanthropist who is the head of some financial institution and they hope in starting a bank in an urban district to have the advantage of the savings thereby made put in their institution. Or perhaps they prefer the credit or prestige derived from the institution, while in a rural community or small town that is not sufficient to enable them to found a bank on those lines.

By Mr. Bourassa :

Q. What is the radical difference between a penny bank and a co-operative bank? Is it that the penny bank simply accepts the people's deposits of their money, while with you they are enabled to make savings of small amounts and acquire shares?—A. In the penny bank the administration is carried out by a certain number of gentlemen and the depositors have no control, but in the co-operative bank all have an interest and have the advantage of knowing what is the situation.

By Mr. Smith (Nanaimo) :

Q. In the penny bank the depositors have no control?—A. No control in the matter. It may turn out right or wrong, or they may lose their money—

Q. It is the intention in your bill to provide both for a bank and for a co-operative society?—A. Yes.

Q. It is not proposed to have the bank connected with the co-operative society?—A. No, I think the best way will be to have distinct societies so far, because you may have three or four co-operative societies, and if the administration is in the hands of a few it may be conducive to bad results. For instance, you may take example in Mentone. I suppose the gentlemen here, if they have not been to the south of France, know something about it. I have not been there, but I have a good friend there who tells me that some people are members of seven different co-operative associations, each having different objects, one banking, one a distributing association, another for wine selling, and another for a restaurant. Instead of joining up these associations into one with one administration, every association has its own officers, and by this means you get a larger number of officers to advise as to the management.

Q. In this way you get a distinct system for distribution. In England it was a condition that the distributive societies should be formed into the wholesale productive societies, and then take hold of the banking system. How are you going to establish the bank unless you first teach the people to save?

APPENDIX No. 3

By the Chairman :

Q. I think, Mr. Smith, it is now time for Mr. Desjardins to explain the features of his system. You might state how you organize it, on what basis it is organized, and what are the principles of the organization?—A. (The witness), I was just going to complete my answer so far as the second part of the question was concerned, that is the employment of these funds by a co-operative credit society. Anyone in the association who is in need of money can go to the society with the usual security, not very exacting in these cases, and obtain a loan.

By Mr. Smith (Nanaimo):

Q. He can get a loan equal to his deposits?—A. More than that. The credit of the man is based upon his honesty. That is a startling principle, I suppose in finance. But we have made the experiment successfully.

By the Chairman :

Q. How do you make the selection of the honest borrower?—A. Well, first of all, the society is not like a joint stock company in which a man buys a share and has all the rights of a shareholder. In these associations, a man cannot be a shareholder until he has first been admitted by ballot, and so we know something of him beforehand and whether he is honest or not. We will take him on his present honesty, or what may be described as his promise of future honesty. If he is admitted on his future honesty, of course it will take some time before he can come for a loan. The first choice or election is a guarantee, and we know each other the more so because the association only covers a small area, a small district where everyone is known, and it is strange how far we are known to each other.

Q. When a man comes for a loan it is a question for the committee who supervise these loans to see that it is not granted unless every possible information has been obtained, and if the information is not satisfactory then no loan is made?—A. Yes, but, as I said just now, we know each other pretty well.

By Mr. Bourassa :

Q. The whole basis of the safety of making these loans is the limitation of the territory covered by the association?—A. Certainly, to a large extent.

By the Chairman :

Q. How did you proceed to organize a co-operative society?

Mr. MONK.—Mr. Lemieux, I was just coming to that. You have been connected with only one kind of these associations, and have made a trial and experiment on that particular method. Perhaps, as the chairman says, you will tell how it works out in practice?

The CHAIRMAN.—I think a few years ago they started an association in Montreal, what is called co-operative stores, but in this case it is a banking society.

Mr. SINCLAIR.—We have co-operative stores in Nova Scotia.

Mr. MONK.—I understand, Mr. Desjardins, that the association with which you are connected is particularly with regard to banking and credit.

The WITNESS.—As I said just now, while the principle of co-operation is a very good one, in a new country like Canada it might not answer the purpose so well as in an old country or in other countries in Europe, and to make the experiment complete and make myself sure of it I resolved to start one of these co-operative credit associations.

By the Chairman :

Q. Where?—A. At Lévis.

Q. What would be the population of Lévis?—A. About 7,000. We included a
1584—2

7 EDWARD VII., A. 1907

rural part in order to have the experiment among the rural as well as the urban people.

Mr. MONK.—Do you mean you took in the suburbs?—A. The outside parishes formed part years ago of the old parish, but these were exclusively rural, so we had a fair ground for experiment among both kinds of population, urban as well as rural. All the leaders of the movement agree that co-operative banking is the very basis of the whole movement, although I may say in England circumstances were such that it was distributive co-operation that was started first.

The CHAIRMAN.—What is the nature of the population at Levis; is it industrial?—A. Railways form the main industry there, and then we have two or three foundries or machine or other shops, and a large shoe factory. There are many labourers working at the port and elsewhere.

Mr. SINCLAIR.—What is your experience as to the stability of those saving banks? It seems one of the greatest difficulties in my mind to make them safe. I have known a few of them in Nova Scotia, and invariably they have gone to pieces in the course of a few years by bad management. That is small saving banks in little towns that were started under some special local Act, a special Act, by which some few men were permitted to start a small saving bank.

Mr. BOURASSA.—But was it on the co-operative basis that nobody could make any transaction in the matter of credit with the bank unless he was a shareholder of the association?

Mr. SINCLAIR.—No, I do not think so.

Mr. BOURASSA.—You see that is the basic difference, that nobody can transact banking unless he is a member of the association, and then it is limited as to area.

The CHAIRMAN.—And the transaction is always supervised by a committee.

The WITNESS.—We started with about fifty spirited citizens. Of course, we had no law whatever. It was upon the voluntary system. We, of course, adopted by-laws.

The CHAIRMAN.—Would you kindly file them?

(By-laws produced as Exhibit No. 1.)

The CHAIRMAN.—Would you file the English copy as well?

The WITNESS.—Yes. We adopted those by-laws, which were genuine co-operative by-laws, and we began business. We organized on the 6th December, 1900, and we started to collect a few cents. By the 25th January following, our first semi-monthly statement showed an asset of \$242.

By Mr. Smith (Nanaimo):

Q. Have you any of your financial statements?—A. Yes.

By Mr. Monk:

Q. You said you had \$242?—A. On the 21st January last, the total assets were \$48,775.67.

By the Chairman:

Q. After six years of operation?—A. After six years of operation.

By Mr. Smith (Nanaimo):

Q. Was that banking pure and simple?—A. Yes, pure and simple.

By the Chairman:

Q. Explain the system now?—A. We had to create a capital. In doing so we had to conform to the wishes of those who were called upon to furnish the capital, as we addressed ourselves to very poor folks. We had to offer them what I call the variable capital or capital withdrawable at any time. If you go to a poor man and say, 'You

APPENDIX No. 3

put a dollar there and you will never see it again unless you sell your share and go about in the street and try to sell it,' he will never take such a share. We had, therefore, to remember that.

By the Chairman:

Q. Did you fix a limit to that capital at first?—A. No. There is no limit fixed, because the capital is variable.

By Mr. Sinclair:

Q. Would they take it back without notice?—A. In the by-laws we stated that the notice was thirty days, to be exacted as a measure of safety. We have never exacted notice. Whenever some one called, we said, 'Here is your money.' It was the best way to create confidence. We are like the bank, we give the money whenever people wish to have it. You will see that the withdrawals of share capital have not amounted to very much after all. We have received \$44,957.15 of shares. En passant, I may say that those shares have been fixed according to the financial position of our future and present members at \$5. I would advise \$2 shares, because the people feel somewhat proud in saying, 'I have so many shares.' Never mind the amount of shares. One share of \$200 would not be the same thing as 100 \$2 shares. You must conform to the wishes of the members. There is no harm done, and it pleases them. I have studied a good deal that part of human nature, and I think it is the best way. There is no harm done and there is nothing to be lost. Out of the \$44,957 we have collected as share instalment, we have paid back only \$10,159.88 in six years, leaving a balance of \$34,797.27. At first a great deal of movement had been gone through, but it is now getting steadier. Of course, at first the people had some confusion as to the idea of capital, and were making the mistake of paying in a little for shares which should have been paid in purely as savings, because they wanted it again to buy their winter provisions or pay the rent or something of that kind. When they wanted to do this, I told them not to take up shares, but to deposit a small savings outside the shares, and we now have \$9,933.66 apart from the shares. We have received altogether \$28,519.95, and we have paid back \$18,586.29, leaving a balance, as I said, of \$9,933. That is entirely savings apart from shares.

By Mr. Bourassa:

Q. In the last six months?—A. No, that is in the whole period.

By Mr. Monk:

Q. What was the amount of the loans you made during this period?—A. The total amount of the loans is \$199,527.33, of which there has been repaid \$167,610.05, leaving, in outstanding loans, well guaranteed, \$31,917.28. Out of this almost \$200,000 that we have loaned, and I hope I may be pardoned if I speak with certain pride, we have never lost one cent.

By Mr. Sinclair:

Q. What do you do with the surplus?—A. We had in hand \$16,794.81; that money is put into the bank.

Q. At three per cent?—A. Yes.

By the Chairman:

Q. You were saying that you received \$200,000 in deposits?—A. No, I was speaking of the loans made.

Q. With the money of the shares as well as the small savings?—A. The whole, of course.

By Mr. Bourassa:

Q. That was the general movement of the funds?—A. Yes.

7 EDWARD VII., A. 1907

By Mr. Monk :

Q. As a matter of fact, speaking generally in all cases of societies of this character, making small loans they have very small losses, if any?—A. So much so that I received a letter a year and a half ago from Luigi Luzzatti, the Chairman of the Popular Banks Association of Italy, in which he stated to me that in forty-one years of experience with the 800 popular banks they have in Italy, the loss amounted to one-tenth of a cent, for forty-one years, out of each 2,000 francs loan.

Q. That, I suppose, is due to the extreme caution with which these loans are made?—A. The main security is the fact that the association is working within a small area and that everybody knows each other. A second security is that everybody is interested by being a shareholder.

By Mr. Smith (Nanaimo) :

Q. Anyone receiving a loan must get someone to act as security?—A. They must have two endorsers, if required.

Q. And those must be members of the society?—A. Members of the society as well.

By Mr. Sinclair :

Q. What security do you take from the manager?—A. I am the manager of this particular association, and I have to give a bond with an insurance company for \$3,000. Of course the council of administration could have exacted a higher bond, and the premium is paid by the association itself.

By Mr. Bourassa :

Q. What is the average yearly expenditure?—A. Well, that is a very delicate point you are now touching upon.

By the Chairman :

Q. Of course, it depends upon circumstances?—A. As I stated, I have started the association and I understood that it was of the greatest interest to make it a success, that the money should be kept always ready and whatever would be the outcome of it, we ought to be in a position to take the money out of the till and give it back to those who ask us for it. I thought it also my first duty, as I had no law to protect me, to be very careful about expenses. I took upon myself to do the whole work of the association without indemnity or salary. The office was kept in my own house, the book-keeping was done by myself, and whenever I was absent from town, by one of my family. All the members used to come to my place for the payment of their instalments or shares, or to do any other transaction they had with the society. That is the explanation why the expenses have been so low. My every desire was to create a reserve fund as rapidly as possible in order to be prepared against any possible mishap, damage, or injury that might have happened, and we have succeeded because our reserve fund amounts to \$3,341. That explains the fact that the whole of the expenses during the six years of operation have only been \$543.57, including printing.

The CHAIRMAN.—How much?

WITNESS.—\$543.57. You may tell me perhaps that we cannot expect everybody to do the same amount of personal work in order to make the saving.

The CHAIRMAN.—No.

WITNESS.—Surely not. But I was labouring under very peculiar circumstances. We were the pioneers in that kind of institution and upon the devotedness and zeal which we displayed depended the success of it. The only successful associations at the time I could point to were those in Europe, and people could tell me they are so far away that we cannot go there to see by ourselves. We can succeed better when one in this country is established and we can point out that one and say, 'You can go there and find out for yourself whether it can be as successful in your locality as it has been in Lévis.'

APPENDIX No. 3

The CHAIRMAN.—How many shareholders have you in that society at Lévis?

WITNESS.—About 900. I say about, because people are going in and out.

The CHAIRMAN.—The average membership is 900?

WITNESS.—Yes.

The CHAIRMAN.—How did you organize it at first? There is of course a board of directors?

WITNESS.—When the shareholders had subscribed shares, we made the best choice we could. Then we had a general meeting and at that general meeting the board of administration, composed of nine members, was elected by the shareholders. Another committee, called the Commission de Crédit, or Credit Commission, a special body to deal only with the loans, was appointed by the general meeting as well, and then a third body, the Commission of Surveillance, or you might say auditors, were appointed, not by the board, but by the general meeting, by the shareholders themselves.

The CHAIRMAN.—So that you have three distinct boards?

WITNESS.—Exactly. The auditors are really the general meeting sitting en permanence alongside the officers they have chosen and the board have no control over them. They can tell the board, 'You can do this or that if you dare; but if you do, we shall suspend operations for the time being and report to the general meeting.' They have the right to inspect the books day and night and go to them when they please. In my own experience I can say that they have always done their duty. They would tell me: 'Mr. Desjardins, we want to see your cash.' 'There you have everything, here is the cash book, the bank book, the loan book, and make the addition and see whether it is correct or not.'

Mr. BOURASSA.—So that that board which has the responsibility to the shareholders of looking after the good administration, is not at all under the authority of the credit board?

WITNESS.—Not at all. It has more authority than the board of administration and more authority than the board of credit.

The CHAIRMAN.—It is a striking difference between the general by-laws that are made by banking institutions where the auditors are selected by the board of directors without referring to the shareholders?

Mr. MONK.—These institutions on the whole are much more democratic.

The CHAIRMAN.—Therefore, the shareholders have three boards, a board of directors, the credit commission, and the auditors?

WITNESS.—Yes. Of course the word 'auditor' does not exactly convey the meaning I wish to convey.

Mr. MONK.—A board of censors?

Mr. BOURASSA.—The power of an auditor is simply to look over the work and report on it.

The CHAIRMAN.—What further authority have they? Can they suspend the board of directors or suspend operations?

WITNESS.—To even the president they can say, 'Go and sit down there and be quiet. We shall rule this society until we have a general meeting.'

The CHAIRMAN.—How many members are there on each board?

WITNESS.—On the board of administration there are nine, on the commission of credit there are four, elected directly by the general meeting, while the chairman of the association is a member ex officio, and then the auditors or supervisors number three.

Mr. SINCLAIR.—Do they get any money?

WITNESS.—No. It is desired that no officer get remuneration except the manager.

The CHAIRMAN.—By whom is the selection of general manager made?

WITNESS.—By the board of administrators.

Mr. MONK.—From what experience you have had in those six years in Lévis, do you think that it is possible to find in our provinces sufficient men capable of filling positions such as those you have indicated in localities similar to yours. You have a board of administrators, you have commissaires and you have a board of censors or auditors. Now, in towns like St. Hyacinthe or Three Rivers and similar localities, would there not be some difficulty in finding capable men to fill positions of that kind in similar organizations?

WITNESS.—It is a matter of education. It will require perhaps a good deal of propaganda before we convince people who are accustomed to work for money to undertake such duties, but on the other hand there are competent men enough and devoted citizens enough to fill those places anywhere. Thus in our humblest parishes we find that idea. It is a fact that our municipal as well as school organizations in the province of Quebec have been working admirably for the last fifty years. We have found the material for that administration which is a very complicated one, a very useful one, and at the same time a very responsible one, but we have municipal councillors handling thousands, perhaps millions of dollars a year, without a cent of indemnity.

Mr. MONK.—And not a cent wasted?

WITNESS.—And no defalcations. And those school commissions that we have in the provinces are working very well. Of course what I call the social authorities would have to come and give help, such as professional men, our priests, our leading citizens.

Mr. SMITH (Nanaimo).—All voluntary service?

WITNESS.—Of course. It is like our municipal government and school government. It is a voluntary system looking only to the official honour.

The CHAIRMAN.—Suppose I am a shareholder, and suppose I have \$100 in this society and I am in need of say \$200 or \$300, what will be the process to obtain money from the society? I am a shareholder and I want to get more than my share in a loan, how am I to obtain that? What is the process or the procedure?

Mr. BOURASSA.—Don't you think that we might go into the question and ask Mr. Desjardins in what way the money gathered by the society is employed?

WITNESS.—The amount of money that a member has in the society has a very restricted bearing upon his credit. We consider first the conditions on which he is to pay and his intention of paying the instalment. It is, as I stated, the honesty of the individual that is considered, his savings or assets are not the first consideration. For instance, if one of you gentlemen came for a loan of \$300.00, the application will come before the board of credit, who will decide whether or not to make the loan. But first of all, the general meeting fixed annually the amount to be loaned to any one individual, be it \$300.00 or \$500.00.

By the Chairman:

Q. I don't quite catch the point? Do you say that each application comes before the general meeting?—A. No, the maximum amount of a loan to any one individual is fixed by the general meeting.

By Mr. Bourassa:

Q. Not the loan?—A. No.

Q. Is the total amount to be loaned fixed annually by the general meeting?—A. No, because it depends upon the funds.

By the Chairman:

Q. Do you mean to say that each year the general meeting will fix the extent of the loan that can be made to each individual member?

Mr. MONK.—No, but to any individual.

APPENDIX No. 3

By the Chairman:

Q. Why is a limit put upon the amount of the loan?—A. It is to prevent the centralization of the funds in the hands of one or two. You must not forget that everybody in the association has the right to obtain a loan provided he gives good security, and if you loan all the money to one or two individuals, that limits the power of the society to help other members during the year. We consider that it is better for the association that small loans should be made, and we prefer them to larger loans. Suppose the manager of such a bank had ten individuals coming to him and saying, we should like to have a loan of \$10.00, that would mean \$100.00, but suppose the eleventh came and said that he would like a loan of \$100.00, it would be better for the society if it should have to choose, to make the loan of \$10.00 to ten individuals than to loan \$100.00 to one individual.

By the Chairman:

Q. The smaller the amount——A. The larger the number of people benefited.

By Mr. Monk:

Q. Before loaning the money what is the procedure?—A. In order to prevent delay, I generally draw up a list and submit it to the board. Suppose, for instance, that Mr. Lemieux wants a loan, I would ask the board what amount of credit they would allow Mr. Lemieux. Will you limit him to \$100, or will you go up to \$1,000, our present maximum, and the board would answer, 'Well, hardly that, without an endorser,' or they would consent upon his good character, and so I would know the amount of credit they will give; I would therefore be able to say yes or no when the application is made.

By the Chairman:

Q. Would you want an endorser for that?—A. Yes, in cases of large loans. When a man comes to my office and says I want \$1,000 or \$500, I say all right, and I give him the cheque and take his note. I have no need to consult the board, because I have already done so.

By the Chairman:

Q. You do not find borrowers asking for advances not offering security besides their own?—A. Of course, we do very often loan upon personal security, because we know the borrower.

Mr. Smith (Nanaimo):

Q. What is the amount of interest on deposit?—A. Well, we have not dared to go further than three per cent.

Q. Equal to the average banks?—A. Yes.

By Mr. Monk:

Q. Suppose a carpenter or a blacksmith wanting to purchase tools for his trade, comes to you and wants \$40 or \$50. As a rule do you require endorsers?—A. Often we would not, because if a man is honest we should know it.

By the Chairman:

Q. That is the great advantage of this small area. You know who is an honest man?

By Mr. Monk:

Q. Suppose a seamstress wanted to buy a sewing machine, would you rely on your knowledge of her honesty and means?—A. Yes, and if we have not received a reference

7 EDWARD VII., A. 1907

of a good character of the candidate then we don't like to put somebody in trouble, and we would say, 'we cannot do it unless a member well known to the board is willing or insists upon becoming security.'

By the Chairman:

Q. Before you go on with your explanations, do the banks in the locality where you reside advance such small loans even on endorsed notes? Suppose a seamstress, as Mr. Monk was saying, wanted to buy a sewing machine, could she go to the Banque Nationale or the Bank of British North America for a small loan of \$20 or \$25? In your experience have these banks made loans of such small amounts?—A. Never; they do for amounts of \$25 or \$50, but they charge the same amount of interest as for a loan of \$100. That is what I have been told often.

Mr. Smith (Nanaimo):

Q. Do you deposit your surplus with private banks?—A. Oh, yes, the surplus money is deposited.

Q. You make nothing of the surplus except the interest given by the private bank?—A. On those funds, yes, but you must recollect that we have \$3,400 of a reserve fund of our own, which goes to supplement our gross earnings.

Q. Where do you put that reserve?—A. That is used in the general business of the association.

By the Chairman:

Q. What is the average interest you receive from loans?—A. Six and five-eighths per cent last year.

Q. That is not very high?—A. The question of interest is so closely connected with the question of the repayment of the loan that if the committee will allow me, I will approach that question, because no question has been put to me that has drawn my attention to it, and it is a very interesting one. Mr. Monk was supposing just now a labourer coming to the society and asking a loan of \$30 to buy tools with. In the ordinary banks a loan may be made for three or even four months, and then at the end of four months the borrower will have to pay at least fifty per cent of the loan. He may perhaps have a chance of renewing for two months, but at the end of the two months it must be paid in full. Some borrower will come to us and borrow \$50 and will reimburse that \$50 as he wishes. I wish to make that point very clear because it seems a very wide authority to give to the borrower. He makes his own conditions and says he will reimburse \$3, \$4 a month and so on. If these conditions are accepted, we generally hold him close to his engagement: you have promised to give that sum and you shall give it, according to your own conditions.

Mr. SMITH (Nanaimo).—According to the man's own conditions.

WITNESS.—Yes. Now take the question of interest. While charging an interest for the whole time we grant the borrower as much interest on his reimbursements as he pays.

Mr. SMITH (Nanaimo).—So that he is encouraged to pay it off as quickly as possible?

WITNESS.—Yes. The quicker he pays the better it is for himself. A loan which comes to my mind is this one. Last spring two young men, brothers, one an employee in a shoe factory, another a carpenter, came to me and said, 'We are offered a great advantage. We are considering buying a house at very easy conditions. We hope one day or another to marry and settle down; we would like to be alongside one another, and this house is divided into two lodgings that would suit us. The only difficulty in the whole situation is that we have not the \$200 that the vendor asks us as a cash pay-

APPENDIX No. 3

ment on the purchase price, so we come to you and ask if the society will be ready to loan us those \$200. We have no real security to give, the house standing as security for the seller. We cannot offer anything but our good reputation, and perhaps our mother may come in and give her signature for us as well.' 'Well,' I said, 'I will submit the question to the board of credit; come to-morrow and I will let you know the answer.' The next day the question was submitted to the board and agreed to unanimously, and that is a point to which I wish to draw your attention. The board must be unanimous on every loan. If one says 'no,' the loan is not made. The board in this case was as usual unanimous, and the loan was made. I said to the young men, 'Here are the \$200,' the conditions of reimbursement fixed being \$20 a month, or ten months in all.

By the Chairman:

Q. You can accept partial reimbursements?—A. Yes, that is a great advantage to the borrower. I have had reimbursements of fifty cents a week of a sum of \$20. But to return to the case I was speaking of, the loan was made, the house was bought, the house is now paying itself by the rent, and the \$200 were reimbursed in less than eight months. The young men were so completely pleased and so hopeful that they worked almost day and night to clear that off.

By Mr. Verville:

Q. How much interest do you charge?—A. The interest is fixed by the board of administration. In fixing the interest we had to take into consideration the general state of the market, the general rate that is charged for high protected loans, and we had at the same time to see, not to imitate them, what is done at usury shops, and, lastly, the legitimate remuneration to be granted to the thrifty who provides the funds. Taking these three elements together we fixed the rates.

By the Chairman:

Q. Are there any shavers at Lévis?—A. There were two or three before, but God knows where they are now.

By Mr. Bourassa:

Q. It is an effective way of stopping usurers?—A. Upon a loan the borrower is charged seven per cent interest if he chooses to pay the interest in advance, or eight per cent when he wants the right of reimbursing either partially or the whole amount before the time expires. We charge then only for the time that has elapsed one per cent more, assuring the borrower the advantage of reimbursing when he pleases.

Q. Of course you do not exact the eight per cent on the total amount of the loan, they get the benefit of the interest on any instalment they make?—A. Exactly. I will give here a practical instance. A member of our society came about the month of July last and said: 'I expected a payment due to me of \$150, I counted upon it to pay my insurance premium on my life, but the man who owes me the money has not come; the premium must be paid to-morrow, I have not a red cent in my possession and I want you to let me have \$150 in order to pay my premium when due. What are the conditions?' I said, 'You have the option of either paying seven per cent in advance or eight per cent, with the privilege of paying then only for the time you keep the money or any part thereof.' He said to me, 'I prefer the eight per cent rate because you might have the money to-morrow or to-night.' He came the next morning and he got \$150, after I had submitted his demand to the board of credit. Five days afterwards he came back and he had the money from the man who owed him. He had paid his premium and said, 'Now, according to the condition, how much do I owe you?' I think it was twenty-three or twenty-four cents for the whole amount.

Mr. BOURASSA.—If he had discounted the note at the bank the interest would have run thirty days at least.

By Mr. Monk:

Q. Is it not a fact that there is a great deal more usury than people think, and that one of the effects of these institutions is to stamp it out effectually. Has that not been the result of your observation everywhere?—A. Everywhere. A very typical case was the one quoted in the history of co-operative credit in Alsace Lorraine. After the Franco-Prussian war in 1870, Jews by thousands were following the German armies into French territory and exercising their peculiar industry. After the war was over they settled down into these provinces annexed by Prussia and there began, according to the historian, almost every kind of usury. They might even take mortgages upon farm animals, cows, and so on. They had the whole peasantry in their hands and they exacted a general rate of interest of 100 to 150 per cent. With regard to the second part of your question as to usury, I can say that a gentleman I knew called upon a certain rural usurer and borrowed \$100, I think it was. There was an old caleche in front of the usurer's place, and he told the carter who drove him that he had bought it twenty-five times for \$30 each time, being a condition of each loan. The amount of interest charged by the usurer was the usual rate, 6 per cent, but having to pay for the old caleche that made the rate on the loan something like 125 to 150 per cent.

Mr. Smith (Nanaimo):

Q. If you educate the people to save money by a system of co-operative banking as you have in Lévis and do not establish a co-operative distributing society, you will be making your bank an agency to enable the distributors to exact high prices from the people?—A. I don't think so.

Q. Should you not commence with the distributive societies and then establish the bank?

Mr. LEMIEUX.—The Bill provides for that.

Mr. SMITH (Nanaimo).—Do you not think that the only way to help the people, is to co-operate first in the sale of the necessities of life?

Mr. MONK.—Do you mean to say that a co-operative system of distribution would be sufficient without the bank?

Mr. SMITH (Nanaimo).—No, but they must go together. If you establish a bank and teach the people to make small savings and do not have a co-operative distributive association and leave the sale of the necessities of life to the competitive plan, the competitive distributors will take advantage of the people having more money. By having the distributive co-operative association in the operation of this business you will have a method of utilizing your profits in the bank. You can build houses, build-ings for your business and become producers.

Mr. MONK.—At the same time, don't you think that, as was said in the beginning, if the carpenter required tools or the seamstress a sewing machine, the co-operative bank would be able to make them a loan. Until they can get the money to start with they cannot do their business.

Mr. SMITH (Nanaimo).—You can assist them in selling the machine or the tools at a cheaper rate than they would be sold under the competitive plan, and still clear a profit on the transaction.

By the Chairman:

Q. Well, Mr. Desjardins, you say that these societies should be confined to a small area. Do you limit that area to a town or village or could you extend it as far as the boundaries of a county, for instance?—A. It might be beneficial to take the boundary of the electoral district, except perhaps in the Northwest where the boundaries are very large. But, generally speaking, the idea of these associations is to take the municipal boundaries as the basis, or, if you like it better, the parish. You have there a population gathered together for municipal purposes or for religious purposes, and if you can create an economic organization as well, it will be in the public interest.

APPENDIX No. 3

In all groups of population three wants exist: the religious one, the material one of the collectivity, and, lastly, the economic need. In our present organization the church looks after the religious interests, the municipality looks after public health and so on, but there exists no organization to satisfy the economic needs. If those other organizations and other enterprising individuals wanted money they would be in a position to have it from the local society, and those who want to be thrifty would have a place where they could go. If the municipality wanted money it could go to the bank within the parish.

Q. The shareholders would know everything with regard to the other organizations in the parish, and be able to say if a loan is properly made to such an association?

Mr. Smith (Nanaimo):

Q. What is the idea of prescribing that these societies should be connected with the electoral district?—A. We must have some division.

By the Chairman:

Q. An arbitrary line?—A. We have to draw a line somewhere.

Mr. MONK.—In the case of census returns and other returns we generally take the electoral district for the purpose of convenience.

Mr. SMITH.—Yes, but in a case of a co-operative society or bank, boundaries are unnecessary. What would it matter whether a man lived in the country or Toronto. If a poor man in Toronto wants to comply with the conditions of your society, is your credit refused?

Mr. BOURASSA.—The basis of security would disappear, for the whole basis of security is the fact that those people live together and are so closely connected.

Mr. SMITH (Nanaimo).—But we are discussing a different system as dissociated from co-operative stores. If you are selling goods to the community you would not object to a person coming from another town.

Mr. MONK.—This condition in the Act is limited to the system of banking: 'A society carrying on the business of banking shall not operate outside of the electoral district where it has its head office.'

The CHAIRMAN.—There will be as many societies as there are municipalities?

WITNESS.—Yes, there is no monopoly; there can be no monopoly, for there could be more than one society per municipality.

Mr. MONK.—The electoral district is chosen as being an area within which there would always be found to exist that knowledge which Mr. Desjardins has referred to as the basis of credit, namely, having the man to whom they loan under their eye.

Mr. BOURASSA.—We may take that up as we come to the section.

Mr. SMITH (Nanaimo).—You have a distributive society, you are selling goods to your poor people and you have a man in Montreal, say, where there is no co-operative store and he wants to join your society. Would you admit him?

WITNESS.—There would then be no risk as in the banking system.

Mr. SMITH (Nanaimo).—He buys your goods and he deposits his dividend in your co-operative society. By-and-by he has savings as a consequence of buying in your retail society and he says: 'Why cannot I do business with your bank?' That is the difficulty which I am up against.

Mr. MONK.—In that case they are not carrying on business of banking. It is separate.

WITNESS.—The store cannot do banking at the same time. There may be the same members, the same individuals in both.

Mr. BOURASSA.—You can organize a co-operative society for banking and you can organize another co-operative society for distribution.

7 EDWARD VII., A. 1907

Mr. SMITH (Nanaimo).—But if you do a trading business in the co-operative system, you will find that it is the members of your business that become members of your bank, and that the profit you create by doing business in the co-operative store is the self-same money coming from the self-same individuals who want investment. It would have to be controlled by the same opinion as exists in England, where you cannot get men to invest except as a consequence of the sale upon your co-operative retail business.

Mr. MONK.—In England they are not confounded with the bank.

Mr. SMITH.—Of course. There the co-operative banking system is done by the co-operative wholesale store.

WITNESS.—But not by shareholders of the local society.

Mr. SMITH (Nanaimo).—Every retail local society in England is a shareholder in the co-operative wholesale society, and the co-operative wholesale society has a banking system for the retail system.

WITNESS.—But it is not a banking system for the shareholders of the local system. You must have the safe principle of restricting the area. It might be a hardship in some cases, but there rests one of the most essential safety of the whole system.

Mr. SMITH (Nanaimo).—I was showing the impossibility of utilizing people's savings until you learn them to save.

WITNESS.—You have there a particular community in England, for instance. You must admit that there is more money, generally speaking, about our workmen here in Canada than among the corresponding class in Europe; our people are much more extravagant than are those people on the other side, and it is to crush that extravagance that such institutions should be created, for they afford the true means to reach that end, and it is upon that point that the people should be educated.

Mr. SMITH (Nanaimo).—I appreciate fully the benefits of the banking system, but it seems to me that we are not beginning at the beginning. Of course the restricted area is provided in the Bill.

Mr. BOURASSA.—If you wish to start banking you can start it in just whatever form you like.

The CHAIRMAN.—It was necessary to provide specially in this Bill for banking operations, because the other co-operative aspects of such societies can be obtained without coming to this parliament.

Mr. BOURASSA.—Perhaps it may be put in a more exact way, that those principles of co-operative societies are on the same basis giving them the same local existence but that more precautions have to be taken with regard to banking.

Mr. MONK.—I do not think it is possible to finish to-day with Mr. Desjardins. I think we have made a very satisfactory beginning.

Mr. BOURASSA.—Before we adjourn perhaps it would be germane to the information we have received if we could be informed without entering into details as to the difference between this Bill and the legislation of Europe, having regard to the special conditions here.

Mr. MONK.—As that question will require some development, Mr. Desjardins may take a note of it for our next meeting.

Mr. BOURASSA.—What I want to get at is this, the difference of conditions in our country and those that exist in Europe, so that we may see whether we must imitate the legislation in Europe or see in what way we must reject or differ from that legislation.

Mr. MONK.—I was going to ask a similar question. It has been said that these societies render services in Europe where social conditions are entirely different from what they are here, and the doubt has been expressed as to their utility in this country. You might think over that.

APPENDIX No. 3

By the Chairman :

Q. You think that from your knowledge of these societies in England and Italy that the same amount of good would be done in Canada. Do you know of any similar society which has been in existence other than your own in Canada or in the province of Quebec, and what has been the result?—A. I may state that on the same lines, an institution was started at St. Malo, Quebec, and that it has been working for some two years; another was started about a year after our own at St. Joseph de Lévis, and both are doing very well indeed.

Q. As you have been giving statements of your own conclusion, you might perhaps prepare for the committee a statement of business of these other societies, because we cannot draw conclusions from your conclusion, but when we know what they have done in two years, it may perhaps help?—A. I will write immediately.

Q. In so far as you have been giving evidence as an expert, I would suggest that you might boil down the facts you know concerning the establishment of similar institutions in Germany, France, in India and Italy. Just boil down the facts and it can form part of your evidence, because we must consider this before reaching a report.

By Mr. Smith (Nanaimo):

Q. That is very important?—A. I think I can show the necessity of such societies by the books I have here and the experience I have gained. I have been boiling down my experience and I shall be quite ready to give to it to the Committee—showing the need for these institutions and the work they have done in these countries.

Mr. BOURASSA.—It will be a history, I suppose, of the system and its principles?

The CHAIRMAN.—Don't make it too long.

Mr. BOURASSA.—But sufficiently complete as to give a fair and good idea of the whole question.

Mr. MONK.—I think we can be very well satisfied with the work we have done, and as we shall have to have several sittings we might perhaps adjourn until Tuesday if that day is convenient.

The CHAIRMAN.—I don't think we can fix so early a day. We might say next Friday. I will try and call a meeting before Friday, but because of the Labour Bill I shall be very busy at the beginning of the week. If you will agree to the adjournment being *sine die*, I will try and arrange a meeting.

Mr. BOURASSA.—That may give Mr. Desjardins time to get all the information we will want.

Mr. SMITH (Nanaimo).—It is an important matter, and now that only Monday is left for private members, it should be proceeded with as quickly as possible.

Mr. MONK.—I think, Mr. Smith, that if we come to the conclusion that it is a good measure that the Government ought to take it up.

The CHAIRMAN.—I am sorry that Mr. Aylesworth was not here to-day as you know there is a constitutional question to be settled. The Minister of Justice has practically decided that the objection, if objection there is, to a general feature of the bill, may be overcome. I do not see any objection, in fact, there is a desire on the part of the Department of Labour to have this legislation placed on the statute-book, but whether it is done in this session or in another session, we must have the fullest inquiry and evidence for the benefit of the public.

Mr. BOURASSA.—At the same time if we come to the conclusion that this is a question on which it would be an advantage to have legislation, I think that the fact that the bill is not creating anything but that it is permissive legislation should be sufficient reason for its being proceeded with.

The CHAIRMAN.—At present I see two great features in the bill. It has first as its aim, the destroying of usury, and second, it encourages thrift and saving on the

7 EDWARD VII., A. 1907

part of the people. I can not answer for my colleague, but, personally, I may say that the bill suits me.

Mr. SINCLAIR.—It seems to suit everybody.

Mr. SMITH (Nanaimo).—This legislation is based on what was done in England sixty years ago, it simply provides for the incorporation of co-operative societies.

The CHAIRMAN.—It is a great move in the right direction to have obtained the formation of a Committee and the publication of the evidence.

Mr. MONK.—I was told that there was an objection to this bill, but since it has been found that it will confine its loan operations only to borrowers who are shareholders, the president of the Banking Association said that the objection has been removed.

Mr. BOURASSA.—More than that, it will be an advantage, because it will result in money being deposited with the banks which would not otherwise be deposited.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 62,

WEDNESDAY, February 20, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 10.50 o'clock a.m., the Chairman, Hon. Rodolphe Lemieux, presiding.

Mr. DESJARDINS' examination continued.

By Mr. Monk:

Q. Mr. Desjardins, was there anything in what you stated to the Committee at its last meeting that you wished to make clearer or explain?—A. Yes, Mr. Chairman, first of all I was asked to get information about the operations of the two other associations created upon the co-operative basis, one at St. Malo and the other at St. Joseph de Lévis. I wrote immediately to the managers of those two associations and I have the answer now. The St. Malo association (filed as Exhibit No. 3) has now assets to the amount of \$5,154.66 and the amount of the loans is \$5,585.05. The profits—I mean the general profits, of course in all these figures, are for the whole time of the existence of the association. The benefits amount to \$182.63 and the expenses up to date were \$71. The total number of the members is 355 and the total amount of dividends paid was \$41.20. The number of shares was 614 and the reserve fund amounts to \$72. That is certified to by the manager.

Mr. Smith (Nanaimo):

Q. Where is that society?—A. At St. Malo, in the electoral district of Quebec East.

By Mr. Monk:

Q. You will file that, I suppose?—A. Yes I will, with pleasure. Then as to the association at St. Joseph de Lévis, in the county of Lévis, the results are: General assets \$3,022.10, total amount of loans \$4,787.58, total amount of profits \$167.14, total amount of loans outstanding \$525, number of loans 155, total number of members 106, dividends paid up to date \$27.42, number of shares 177, amount of reserve fund \$90.60. That association has been in existence for a longer period than the other,

APPENDIX No. 3

just about a year more, so you find the figures for some of the items a little higher. That is certified to by H. Bourassa, manager of the institution. (Filed as Exhibit No. 4).

In answer direct to the question put to me just now, I would like to refer to the duties of the board of administration. Some questions in this regard were put to me at the last meeting and perhaps a little more information upon those duties may be useful. If I am allowed I will give the information in a very few minutes. The board of administration is the general executive board of the association but the business is divided, so far as the loans are concerned, and put under the direction of a special board. Those duties are well set out in our by-laws. One of the duties of the board of administration is to fix the interest to be paid, because leaving that very delicate question to the general meeting might result in having to meet very strong difficulties. For instance there might be a certain number of members who would like to see the interest very high, while those that expect to borrow would like the interest to be very low. So it was thought, as in these associations elsewhere, that it would be better to put that power in the hands of a board which would escape almost all the pressure that might be brought to bear with those ideas in view. Now, the other duties are of a supervising nature. In all matters where some difficulty is likely to arise, about the board of credit for instance, the board of administration is made a court of appeal almost, to decide. Very many of the particular by-laws of the association it is well to look after. Now the board of credit is one of the very useful boards because it has the management of the funds, so far as the loans are concerned. Those loans can be made only to members; that must be perfectly and clearly understood. The maximum amounts of the loans are fixed every year at the general meeting of the association—that is one member cannot borrow or cannot owe more than the sum so fixed at the general meeting. The members of the board of credit are not allowed to borrow themselves. None of them can borrow, either directly or indirectly, from the association.

By the Chairman:

Q. Even if they have funds?—A. Even if they have funds. We were afraid of the abuses that might arise, having to decide themselves what kind of credit should be theirs, and to what amount borrowing should be allowed. Unfortunately I could, if allowed, quote some instances that we have had in our banks where the directors have been permitted to borrow and very often, perhaps, a little more than would have been allowed in the case of somebody else. We thought it was the best way to absolutely prohibit borrowing on the part of those that would have the borrowing matter in their own hands. Members of the board of supervision are assimilated to those of the board of credit, so far as that is concerned, because the board of supervision if allowed to borrow might, in collusion with the members of the board of credit, say, 'Let me have that sum and anything that is going on in the matter of credit we will shut out eyes to.' In order to insure perfect independence we have assimilated their position to that of the board of credit, that is that they cannot borrow themselves. Let me repeat: the three supervisors of the society have no right to borrow and the five members belonging to the board of credit are debarred from the privilege of borrowing as well. That was done in order to insure a better administration of the funds and to remove any possible danger whatever that the members would show too much generosity towards themselves at the expense of the funds of the association. But of course the members of the board of administration, having nothing to do with the borrowing of money, are allowed to borrow.

By Mr. Bourassa:

Q. Those having nothing to do with the control of the funds?—A. Nothing to do with the control of the funds.

Q. Or with the decision as to the solvency of all borrowers?—A. Yes. Nothing whatever to do except in the case that I am going to mention. The board of credit

must be unanimous on all demands for loans, and if that unanimity is not forthcoming, then the applicant may go to the board of administration and expose his case. We have provided that safeguard because in a small community there may sometimes be a member of the board of credit who has something against a member of the association and will say, 'If ever he asks for credit I shall refuse,' without giving any reason. Well, we want to protect a member from any such contingency and give him the right of appeal to the board of administration. But that is the only case where the board of administration can have anything to do with the—

Q. The granting of loans?—A. Yes, the granting of loans. It is only in case of something unusual, in case of some great emergency.

Q. But in all other cases the board of credit must be unanimous?—A. The board must be unanimous.

Q. What about the board of supervision?—A. The board of supervision has only to control what has been done but has nothing to do with that.

Q. In case the board of supervision should think that the board of credit has made some loans that are not entirely recoverable, what is the action of the board of supervision? To whom do they report?—A. They report direct to the general meeting, or to the board of administration, as the importance of the case may require. It is set out in the by-laws?

Q. To the general meeting?—A. Yes, and the board of administration, as I have just said. The members of the board of supervision remain in office for one year. They are re-eligible. They watch over all the operations of the association, frequently check the cash, the investments and securities, see to the carrying out of the by-laws, regulations and decisions of the committee of credit and direction, especially as regards loans, renewals and advances. The board of supervision also has the right to examine and audit all the books of the association, and they are bound to call an emergency general meeting of the shareholders if they find anything serious in connection with the management of the association's affairs, or any violation of the statutory prescriptions relating to the administration of the moneys paid into the funds or of the securities exacted for the repayment of loans. They may, in the event of emergency or extraordinary cases, suspend the salaried officials and members of the committee of credit and management, but shall at once report their reasons to a general meeting of the shareholders, who shall decide on the same.

By the Chairman:

Q. The board of credit recommends all loans. Is any action taken by the board of supervisors to control the loan before it is assented to by the board of credit?—A. No, not directly, but they are to supervise everything.

Q. They can go at any time and see by themselves?—A. Exactly.

Q. And see what transactions have been made and arranged?—A. Yes. It must be admitted that in a small community these loans cannot be made without it being more or less known, and then if there is wrong done any member of the board of supervision can go to the manager and say: 'What have been the transactions up to this date?' Thus he can look into the matter, and he may call immediately a meeting of the whole board of supervision to go into it under all the rights and provisions that are set forth in the by-laws. I will not weary the committee with reading all the clauses of our by-laws—

Q. It is understood you will file them?—A. Yes, they have been filed.

At the last meeting of the committee it so happened that we did not touch upon the question of the appropriation of the profits realized every year; it shows how far we were from the question of greed. The association, making loans, of course, realizes profits, and those profits are appropriated. In our association we do not call that dividends, because it smells too much of commercialism; we call that *boni*. That is a peculiar name for these co-operative associations. For example, in our association at Lévis we have realized over \$5,000 of profits. That has been apportioned to the *boni*, to the payment of interest on small deposits besides the shares, and of expenses, and then to the

APPENDIX No. 3

reserve fund. We have a reserve fund of \$3,400 almost, and over \$2,400 have been paid as *boni* or dividends. The capital must be compensated, must be rewarded; in order to encourage thrift it is absolutely necessary that you should offer some premium and that premium is granted under the name of *boni*, as we call it.

By Mr. Smith (Nanaimo):

Q. How often do you distribute?—A. Every year.

Q. Once a year?—A. Yes, the accounts are drawn up every year.

By the Chairman:

Q. Did you state to the committee to what extent a member could deposit?—A. Yes. If you will allow me, Mr. Chairman, I would like to——

Q. How many shares?—A. I want to make that point very clear. The association must raise a capital; that is the object, in order to help the members by loans. Now, two ways were open to us to choose; either the one or the other, or both. We have adopted the two. One way was to create shares with the idea that the money so invested in the buying of shares would be there in the hands of the association for a much longer time than mere saving deposits which could be withdrawn almost every day. Whenever one is making a saving he has always in his mind one of these two ideas; either to put that money aside for a particular time, for a great emergency, sickness or something of that kind, or for some very close-at-hand expenses—the buying of daily necessities or the paying of insurance premiums, taxes or things of that kind. We decided to create shares with that part of the capital to be put aside with the idea that it should not be taken back for a certain time, that is, for a pretty long time. At the same time, small deposits, which could be withdrawn whenever desired, could be made to the association as well, by the members thereof, but with a lower rate of interest. The idea being that those funds are liable to be withdrawn at any time, it follows, of course, that the association cannot loan them as freely as the share capital, the latter being created with the idea that it will be there for a pretty long time. Therefore, the share capital has and should have a higher reward than the mere deposit, on account of the length of time it is supposed to be in the hands of the association. I hope I have made myself clear upon the distinction that we draw between mere deposits and shares, although both are withdrawable.

By Mr. Bourassa:

Q. And what amount of deposit can any shareholder make?

The CHAIRMAN.—That is what I wanted to know on account of the control a man may have.

A. The amount of shares that any one member can possess is fixed by the general meeting by resolution. It is not fixed once and for all, but is liable to be changed whenever the wants of the association require it. For instance, just about four months ago my own association passed a resolution to increase the maximum to \$1,000, that is 200 shares of \$5. We started with a maximum of \$125, but the wants of the association have been so strong, so far as the loans are concerned, that we have increased it from \$125 to \$250 and then to \$500, and now we have \$1,000. That is, a member can have \$1,000 in 200 shares of \$5.

Mr. Smith (Nanaimo):

Q. Two hundred shares?—A. Of \$5 each. Now if the wants of the association were such that we would think proper to increase the amount to \$1,500 or \$2,000 there would be no inconvenience; on the contrary there would be advantages. Still, as a matter of principle, the general meeting must always keep the control in their own hands in order to prevent speculation or a rich man coming in——

By the Chairman:

Q. And controlling the whole?—A. Not controlling, but to exercise more or less

7 EDWARD VII., A. 1907

influence by the mere prestige of a very large holding, although he would only have one vote. But such a prestige might destroy the perfect equality that should dominate.

By Mr. Bourassa:

Q. I intended to put that question. One of the points to be remembered is that whatever shares a man may have he has only one vote?—A. Oh, yes, he has only one vote, that is all.

Q. There cannot be any control on account of the number of shares held by any one member?—A. There cannot be any question but that of the mere prestige I have mentioned.

By Mr. Monk:

Q. Influence?—A. Influence. We have thought it better to keep that in the hands of the general meeting subject absolutely to the previous approval and recommendation of the board of administration, who, as part of their duties, have to study any possible change in the by-laws; the general meeting having no right to initiate such modification. We always study the circumstances and see whether it is advisable or not to increase or decrease the maximum number of shares to be possessed by one member. On the other hand it must be remembered that a member who wishes to increase his capital, as we are doing business with very small funds, is to be encouraged, because there is so much thrift, so much money put aside, and of course the shares are bringing a higher return than the mere deposits. So far as the deposits are concerned the amount is not limited; a member may deposit whatever sum he wishes.

By the Chairman:

Q. Ten thousand dollars?—A. Well, of course he may, but it is not likely.

By Mr. Gervais:

Q. You are explaining the organization simply as a company for the carrying on of a banking business. As I understand, under this Bill, any kind of business may be carried on by any co-operative company?

Mr. MONK.—Mr. Desjardins was just explaining the banking clauses.

A. We were just taking up that part of the general question of co-operation because the banking operations are to be carried on within the precincts of an electoral district only, a very small area.

By Mr. Gervais:

Q. Do I understand you to say that any kind of business which may be carried on by these companies will have a limited field of action?—A. No, not by the Bill—

Q. It will be merely local?—A. Not by the Bill as it is now. The other business—

Q. The other business will be local?—A. Not by the Bill as it is now.

Mr. SMITH (Nanaimo).—Only the banking.

By Mr. Gervais:

Q. Only the banking business? Do you mean to say a co-operative association can be started in Montreal and that it will be enabled to do business throughout Canada?—A. I think so by the Bill as it is now.

Q. Because I think that the whole Bill is unconstitutional?—A. I shall come, I hope, later on, to that point relating to the other forms of co-operative associations. I quite understand that the law will cover many other branches of economic activity, there should be no mistake about it. And as I will show later, I have found that insurance in small localities could be carried on, or should be allowed to be carried on, under co-operative systems with very great advantages to the members thereof.

Q. In the province of Quebec?—A. Yes.

APPENDIX No. 3

By the Chairman:

Q. We have, for instance, mutual insurance companies?—A. We have for fire and life, but we have not for cattle, for example. You have, I dare say, a wealth of over \$260,517,000 of cattle in the country—including only horses, milch cows, other horned cattle and pure-bred stock, exclusive of other farm animals—according to the last census and it must be much more than that now—yet there is no insurance to any appreciable extent that I know of carried on that wealth. Why should the cattle of the farmer not be considered as much wealth to be protected by insurance, as the boots and shoes of the manufacturer, for instance, in a store. Later on, I hope that that question will be taken up.

So far as the loans are concerned, I would like to draw the attention of the committee to these articles of our by-laws. The following qualities are required of each shareholder:—

‘1. He must be punctual in his payments, sober, of good habits and be honourable above suspicion.’

Q. Where is that?—A. That is article 11, page 5.

‘2. He must be industrious and laborious.

‘3. He must be scrupulously honest.

‘Article 12.—The following qualities are required of every shareholder who borrows from the association:—

‘1. He must be in good standing with the association.

‘2. He must have repayed all previous loans; not be in arrears in the repayment of a current loan or of the instalments due by him.

‘3. His endorsers or sureties must not have been called upon to pay on his behalf.

‘4. He must be scrupulously honest, industrious and punctual in his payments.’

You will see from these rules that we are not exactly in the presence of an ordinary loan association, who do not care but for the material sureties they have for their loans. We are almost a school of honesty. Under the system of co-operation this has always been so. Even in the co-operative stores bad characters have never been freely admitted that I know of. They have refused positively, in a great many cases to admit bad characters in a locality.

By Mr. Gervais:

Q. As a matter of fact, five or six co-operative societies have started in the last twenty years in the city of Montreal, and have always come to wreck?—A. Yes, because they were not genuine co-operative societies, if you would allow me to say so. They were so in name, but not in fact.

By Mr. Smith (Nanaimo):

Q. They were evidently badly advised?—A. Yes.

By Mr. Bourassa:

Q. Under the pretence of co-operation?—A. Yes. There is one in Chicago now that is doing a million dollars worth of business under the co-operative name. I had the advice of such an eminent authority as Henry W. Wolff, of England, upon it, and it was pronounced to be what it is in reality, a purely speculative or industrial concern, alluring the public with the mere word of co-operation.

By Mr. Gervais:

Q. You will have to teach the directors of your societies to be marvellously honest?—A. Of course, honesty is necessary, and I hope there are honest men in Montreal. The articles that I have just read show the qualities required of shareholders. I will now quote article 32, which gives the causes of expulsion of a member, which confirm the two other articles in a striking manner:—

7 EDWARD VII., A. 1907

'Article 32.—A member may be expelled from the association for the following reasons:

'1. Because he is bankrupt or insolvent or because his property is liquidated judicially.

'2. Because he has undergone imprisonment for some offence or crime; or has been sentenced to the same.

'3. Because he has allowed himself to be sued for debt or because he neglects or refuses to pay what he owes to the association.

'4. Because he has endeavoured to injuriously affect the working of the association.

'5. Because he does not punctually fulfil the statutory obligations he has undertaken towards the association.

'6. Because he has disturbed or endeavoured to disturb the general meetings or those of the various committees or of the council of administration.

'7. Because he has endeavoured to have his own or accommodation notes accepted as security for advances or loans.

'8. Because he has deceived or endeavoured to deceive the association with regard to the use of borrowed moneys.'

By Mr. Smith (Nanaimo):

Q. These are the regulations?—A. These are the regulations, yes. I am just giving these articles to show the general idea of the organization.

By Mr. Gervais:

Q. All kinds of powers and any amount of authorization are left to the board of directors?—A. Not at all, the members can keep the authority they like.

Q. There is no limitation, as a matter of fact, in the Bill, as to the powers of the directors?—A. That seems impossible as far as the by-laws are concerned, unless you congregate a dozen of idiots together, or robbers of the public—stealers—who would form a society under that Bill for the purpose of stealing the funds of the general public, and then, I do not see how they could, because the Bill says they cannot do business outside of their own members.

By Mr. Smith (Nanaimo):

Q. There is no public liability, the thing is confined to the members?—A. Yes, confined to the members.

Mr. GERVAIS.—As a matter of fact, during the last twenty years, to my personal knowledge, every one of these co-operative societies in Montreal has gone under.

Mr. MONK.—There has been no co-operative society in Montreal.

The WITNESS.—Were the officers and managers selected by the members only, and were they selling to members only?

Mr. GERVAIS.—No, to the general public.

The WITNESS.—Well, I should say that that looks like a kind of a speculation upon the public.

By Mr. Gervais:

Q. Do you mean to say that the business, outside of the banking business, will be confined to the members of the society?—A. Of course, undoubtedly, it could.

Q. Then have you considered the co-operative grocery store?—A. Of course.

Q. The whole business will be confined?—A. Of course I would have no objection to let such a disposition be put in the law because it is the strict principle of co-operation to act so, but I must say that in England another rule has prevailed, because there is no harm done after all, neither to the society nor to the purchaser.

Mr. Smith (Nanaimo):

Q. Why should we not decide that people can go to your store and buy the

APPENDIX No. 3

goods? Does that interfere with the security?—A. Not in the slightest degree. I do not see that there can be any danger.

By the Chairman:

You do sell to your members at certain prices. There is a certain benefit accruing out of those prices and if you can make some profit out of the public legitimately I do not see any objection?—A. I do not see any objection myself. Still I would have no objection either to sell or not to sell to the public. If the committee will allow me I will complete, in a very few words, the statistics I gave at the last meeting about the municipal and school organizations in the province of Quebec. I quoted those two organizations as affording material for the future administrative personnel of those small associations, even banking associations.

By the Chairman:

Q. That applies to all the provinces?—A. Of course, the same argument will apply elsewhere as well. For instance, in the province of Quebec we have our small local municipal and school organizations and they have managed in the year 1904, \$2,199,371 and I do not think we have heard much of misappropriation.

Mr. MONK.—Not a cent lost.

By Mr. Bourassa:

Q. That is outside of the cities and towns?—A. Yes, of course. The receipts of rural municipalities in 1904, were \$1,359,571, and receipts for education in 1905, \$2,199,371, disbursements \$1,159,607, thus making a grand total for municipalities of \$2,519,179 or a grand total for both of \$4,718,550. Well, if our secretary-treasurers of schools and municipal organizations, and our councillors and school—

Mr. BOURASSA—School trustees.

A. School trustees could have managed almost \$5,000,000 in one year—

The CHAIRMAN.—And in one province?

A. And in one province without having produced any scandal, so far as those funds are concerned, I think it is a pretty good guarantee that we can rely upon the material that its personnel will offer for these future organizations. One of the objections raised is where are we to find the necessary officers to manage the affairs of such societies. I was told by the Finance Minister myself, 'Where will you find the people who will be able to manage these associations?' Of course I had to say that we were not at all face to face with anything like a bank, in the ordinary sense of the word. 'Yes,' he said, 'this is not of course a bank, it is a loan association, but where will you find the people to control and administer technically the funds of your institutions, however small they may be?' 'Well,' I said, 'I think we have the personnel already organized to a pretty good extent in our province, and I suppose that municipal organizations elsewhere, more or less, will offer in a like proportion the same material. Of course, for the rest it will be a question of education, and as in other countries no better off in this respect than us, that personnel was formed in due course. Even in India that objection did not seem to have created the least hesitation,' as shown by the following quotation taken from Mr. Nicholson's able report, where he says in a very affirmative way:—

'There are in every considerable village men fully equal in intelligence and status, of the men who in Europe locally administer the movement and direct the institutions.'

By the Chairman:

Q. That is to say that every bank, or insurance company, or loan company, where they receive the monies of the public, those funds are managed and manipulated by a few individuals who draw salaries?—A. Big salaries.

Q. Or by a board of directors whom the public hardly meets or sees, whilst in this case you compare it with a municipal organization where thousands and even

7 EDWARD VII., A. 1907

millions of dollars are administered by the public under the eyes of the public?—A. Exactly so.

Q. Where everybody has a direct interest?—A. Exactly. And the same principle here has equal force. The public is there.

Q. Every one is his own guardian?—A. Exactly, his own supervisor. He looks after his own interest; of course, if he is negligent so much the worse for him. But is it likely that he will be negligent when his money is at stake? I do not believe it. So far the experience in Europe has been quite to the contrary and it has proved a very, very great educator indeed. I might here, perhaps, be allowed to quote one word from a much higher authority than my own. You have been good enough until now to hear only what I had to say.

Q. We understood your evidence was based on the best authority?—A. Yes, of course, but on the other hand, I would like to fortify and to strengthen my own testimony with much higher authorities. For instance, I have here a lecture delivered by Sir Horace Plunkett in Ireland. The book was sent to me a few days ago by direction of Sir Horace, and here is a sentence which bears on the institutions of which I have been speaking: 'Lastly—they come last—speaking of the village banks—but had I realized their enormous educational value, they should have preceded all other forms of association—come 87 agricultural banks.' These associations exist for the sole purpose of creating funds to be loaned to their members. I would not like to weary the committee with long quotations although I have now quite a large lot of them under my hand, which I will however, put at the disposal of the committee in another form, as understood, I believe.

By Mr. Bourassa:

Q. What book is that?—A. Ireland; Industrial and Agricultural.

By Mr. Smith (Nanaimo):

Q. By Plunkett?—A. Yes, by Sir Horace Plunkett.

By Mr. Monk:

Q. Is that a recent book?—A. Quite recent, 1902. So far as authorities are concerned, I am in the hands of the committee. I can furnish any amount of authorities if you wish to have them. In passing, I may be allowed to call attention to the result of an inquiry made in India in 1901. The committee was appointed under the orders of the Government of India to consider the question of the establishment of agricultural banks throughout that country and consisted of the following gentlemen: Sir E. F. G. Law, K.C.M.G., as president; the Hon. F. A. Nicholson, C.I.E., I.C.S., member of the Board of Revenue in Madras, and additional member of the Council of the Governor General of India; Mr. J. B. Fuller, C.I.E., I.C.S., Secretary to the government of India in the Department of Revenue and Agriculture; Mr. J. Wilson, I.C.S., Settlement Commissioner in the Punjab, and Member of the Punjab Legislative Council; Mr. Reginald Murray, manager of the Commercial Bank of India, Calcutta; and Mr. H. Dupernex, I.C.S., District Judge of Cawnpore. The committee assembled at Simla on June 1, 1901, and dissolved on July 10, after holding altogether sixteen meetings. I have all the evidence, but one of the main parts of the proceedings was the filing of that report by Hon. F. A. Nicholson (report produced) before the commission. It is one of the best works that I have seen upon that question.

By Mr. Smith (Nanaimo):

Q. When was this evidence taken, do you say?—A. In 1901.

Q. Has any legislation been enacted in India as the result?—A. They passed legislation in 1902, after the report was made.

Q. As the result of this?—A. Yes.

APPENDIX No. 3

By the Chairman:

Q. On similar lines?—A. On similar lines.

By Mr. Smith (Nanaimo):

Q. Have there been any banks established as the result?—A. Mr. Wolff, chairman of the International Co-operative Alliance, wrote me some months ago and told me that in India now they have over 200 banks; I could not give the exact figures. I received a letter some seven months ago promising me full statistics upon that point, but I have not yet received them.

By the Chairman:

Q. Are there not conclusions?—A. There are conclusions here. Those two large volumes are the report of Mr. Nicholson. Here are the conclusions of the Royal Commission (producing volume). Taken as the report of a Royal Commission, it is almost enthusiastic about the benefit that can be derived from these associations from a banking point of view, even amongst such a population as India has.

So far as other kinds of co-operation are concerned, of course I could give a good deal of data, a good deal of information. I would like, if I may be allowed, to quote just a few figures that I have found in a leading economic journal, *Le Journal des Economistes*, edited by Mr. Molinari.

Q. Is that Mr. Molinari of the Credit Foncier?—A. I suppose so. There is an article by Paul Bonnard. He gives statistics of co-operation in France, and he said that thanks to the law of 1884 there exist in France now 18,000 agricultural associations.

By Mr. Bourassa:

Q. That is only for banking purposes?—A. No, no; but those associations are created for various purposes, and there are thousands of village banks amongst them. Of course, as I said at the last meeting, it is far better to create as many associations as there are activities of different kinds.

Q. Those 18,000 associations are formed for the object of organizing the farmers for purchasing, selling, or for banking?—A. Exactly, and the membership was over 800,000. They even have co-operative associations for the insurance of cattle, for insurance of crops against hail—almost for all purposes imaginable, which purposes could not be approached at all with profit, I suppose, by the industrial insurance system. I mention that fact just to show the possibilities of co-operation.

By the Chairman:

Q. According to the Bill would we be authorized to enter into that business?—

A. Well, of course that is another matter.

Q. Is it, as stated in the report here, a permissive Bill?—A. Yes.

By Mr. Monk:

Q. In France, I think, the co-operative movement has probably taken the shape of agricultural associations for the purchase of agricultural implements, fertilizers, and for transportation?—A. Yes, and selling their produce, and certain kinds of insurance as well.

Q. But there are a large number of banking and co-operative stores?—A. Oh, yes, there are several hundreds. It is very queer but one will notice that banking or loaning co-operation has developed to a wonderful extent in Germany, while other kinds of co-operation have been more slow to develop. The distributive co-operation has been wonderfully developed in England while the other forms have been more or less neglected. In France up to a recent date, just about ten years ago, productive co-operation was developed more than in any other country in the world.

By the Chairman:

Q. What do you mean by productive co-operation?—A. An association of workmen furnishing the capital themselves and working it.

Mr. Smith (Nanaimo):

Q. Developing operations?—A. The development of co-operative operations.

By Mr. Monk:

Q. The sale of agricultural produce?—A. Yes.

Q. There has been a revolution in the sale of agricultural produce on account of these agricultural associations?—A. If you will allow me to say so, another form of co-operation, what I might call a mixed one, for agricultural purposes has been developed to such a wonderful extent in Denmark, that it is almost unimaginable. It has made that country the first in the world, relatively speaking, so far as agricultural products are concerned. That was the productive and distributive system of co-operation amalgamated. Of course each country has its peculiar needs and those needs have to be satisfied by peculiar associations. That is the reason why—as shown by the latest report of the International Co-operative Congress held in Buda Pesth in 1904, where a special study has been made of the legislation in different countries, the laws in the countries in Europe have been very liberal and very generous, in order to let that kind of movement take its own shape; I mean that a hard and fast rule or a cast-iron rule should not be adopted, but that the association should be allowed to develop by itself gradually and take its intended shape according to the needs and the circumstances of the people—the prejudices even, because you have to reckon with them.

By Mr. Bourassa:

Q. It is a very important point which shows that the laws should be quite broad. In a country like this it might be that in one province the banking co-operation, for example, would be the most needed; in another province distributive co-operation might be desired; and in another province industrial co-operation. The Bill should be broad enough to allow all these powers to be exercised so that it will be made use of according to the special needs of the country at large and then according to the special needs of any section of the country?—A. You might find it necessary to amalgamate two or three kinds of co-operation, or they might evolve a new shape of co-operation which is not thought of now for the particular districts where colonization is going on, for instance. You see, the special needs of our country may be such that they may create that new shape. Of course if the law was cast-iron it would prevent development, like the means taken to stop the feet of Chinese women from growing.

Having made my exposé, perhaps too long, I would be very glad to answer any further questions that might be put.

The CHAIRMAN.—Are there any other points upon which you would like to hear Mr. Desjardins?

Mr. MONK.—I have no more questions to ask.

Mr. Smith (Nanaimo):

Q. Have you had any experience with regard to the distributive co-operation societies at all?—A. No, I have not, only a friend of mine, co-operatively speaking, wrote me some time ago from Hamilton, Mr. J. P. Whelan, president of the Canadian Co-operative Concern.

By the Chairman:

Q. In Ontario?—A. Yes. The society has an authorized capital of \$250,000.

APPENDIX No. 3

By Mr. Smith (Nanaimo):

Q. There is in Nanaimo a distributive co-operative society.—A. Yes?

By Mr. Monk:

Q. What does this gentleman say?—A. He was complaining of the local situation of co-operation in the province of Ontario, and of course, he says it is a great impediment to the development of their society. He was very anxious to have a copy of the Bill now under consideration.

By Mr. Smith (Nanaimo):

Q. Read his letter?—A. (Reads) 'I have just received a copy of Mr. Monk's Act, for which I sincerely thank you. We do not see any clause in the Act which limits the voting power of members and limits the number of proxies which a member may hold. Will you be so kind as to point out to me the clause which covers these points, also I do not notice any clause giving the company the power of credits. This, I think, is very important. Our company, when first organized, had a great deal of trouble in getting goods, as the Ontario co-operative law does not allow societies to either take or give credit, and as no person was liable for goods bought, manufacturers did not feel like sending goods to a co-operative society.'

Mr. Smith (Nanaimo):

Q. In England the system is to give credit?—A. Yes (reads). 'We pay cash for all our goods, but when we say this, we mean cash in thirty days, being the usual time allowed by manufacturers and wholesalers for cash payments, four months being the usual time for credits. Now, were we not permitted to take credit in this way, we simply could not do business. It would be impossible for us to pay the cash before the goods were received in the warehouse and properly checked. Will you kindly enlighten me regarding these points? I am sorry to trouble you so frequently, but it means a great deal to us. We feel that our charter is at present faulty and feel very anxious to get a new charter, if we can get a truly co-operative one, which will at the same time permit us to do business.'

Q. At the time the Ontario Act was passed, I studied the process of their legislation, and that clause preventing co-operative societies from purchasing on credit, on the same principle that ordinary business is carried on in this country, was put there owing to the agitation of the retail dealers of Ontario. They actually proposed to exclude the co-operative movement from the privilege of which they avail themselves every day. I remember at the time the legislation was passed thinking it was most unreasonable?—A. In practice it was killing the system. Of course, as I stated a moment ago, I have had no practical experience of distributive societies, having established none and having seen none in practice, but by what I have read and studied I do not see why we could not succeed in this country in other forms of co-operation. I took the worst, or most difficult form of it, the banking or loaning form, to make an experiment in order to see whether we could succeed with that particular form of co-operation which is admittedly the most difficult to make the people acquainted with, and I think the result is commendable.

By the Chairman:

Q. It is most useful because if you encourage thrift and economy, you have accomplished a great deal?—A. A great deal, indeed, and then you kill usury.

Q. Of course?—A. And you help a great many people who perhaps would never have been able to borrow without these small associations. Now, if I may be allowed—

Q. Did you say, Mr. Desjardins, at the last meeting, that although there was nothing in the law to prevent it, yet the banks as a general rule do not care to, and in fact do not, make small loans?—A. No, as a general rule they do not, you must have an en-

7 EDWARD VII., A. 1907

dorser. Of course, there may be some loans done in the country parts where there are branch banks, and having, perhaps, at certain times of the year some funds lying there idle, they may make such loans, but I do not think they go as far as five, ten or twenty dollars, unless it is to a regular customer who takes usually much larger sums.

By Mr. Monk:

Q. These country branches are principally for the purpose of getting deposits?—

A. Yes. I would not like to offer any opinion upon the danger of the multiplication of branches, but I think any one who has thought over the matter must realize that there may be some danger from a certain point of view.

Mr. BOURASSA.—That was the case with the defunct Ville Marie Bank, which multiplied its branches before it went out of existence.

By the Chairman:

Q. Still there are banks which open branches every day and refer to that in the newspapers with great satisfaction?—A. Yes.

By Mr. Smith (Nanaimo):

Q. Do you support the principle of co-operative distribution?—A. Of course I do, for I think that co-operation could be applied to almost anything, reasonably speaking, and with the greatest advantage. After all, it is the people doing their business through themselves. Instead of being governed, as two or three centuries ago, by a heaven-born king, we are governing ourselves now in the political world through our freely elected representatives in parliament.

Q. A democratic world?—A. Ours is not purely a democracy. Our political regime is a democratic regime, but when you come to the financial or economic world, it is a pure aristocracy or a plutocracy.

Q. We are just beginning in Canada to get away from that?—A. If you pass a co-operation law, then you will create a democracy in the economic world as you have one now in the political world; that is, you will leave the people at liberty to act for themselves just as they do in political, municipal, or school affairs, in matters of taxes, and so on, general administration, I mean.

Q. Just for the sake of information, is there anything in this Bill that creates a risk for any person or any government—any one outside of the actual members of the society?—A. Not at all.

Q. There is no liability for any one outside of the society.

Mr. BOURASSA.—There cannot be.—A. There cannot be.

The witness retired.

The committee then adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 30,

FRIDAY, February 22, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative societies, met at 10.30 o'clock a.m., the Chairman, Hon. Rodolphe Lemieux, presiding.

APPENDIX No. 3

Mr. FRANCOIS OCTAVE DUGAS, Member for Montcalm, was present by invitation for examination.

By Mr. Monk:

Q. Mr. Dugas, you represent the county of Montcalm?—A. Yes, sir.

Q. Will you tell the Committee if the cultivation and manufacture of tobacco is extensively practised in your county?—A. Yes. I may say that the average crop of tobacco grown in the county of Montcalm is between 3,000,000 and 4,000,000 pounds a year.

Q. Have you had occasion, Mr. Dugas, to look over the provisions of the Bill which is being examined by this committee?—A. Yes, I read the Bill and studied it.

Q. Do you think that the method of co-operation favoured by the provisions of the Bill would be of use to the people in your county in the cultivation of tobacco, and will you state in what respect it might be useful?—A. Yes, the provisions of the Bill will be of great use to the farmers in my county in this way: in Canada tobacco is put on the market without being properly prepared—

The CHAIRMAN.—Cured.

The WITNESS.—It is not cured. In the United States, where they grow tobacco, the farmers used to have their tobacco dried in their shed, and then it was sold to some parties who took charge of the tobacco and they had it, what they called redried, or cured, and sorted. In Canada there is no such thing as that. The tobacco is sold, put on the market without being redried as in the United States. I may say that the value of the tobacco does not reside in the culture or growing of the weed; but it resides in the preparation, in the handling of the tobacco after it is dried in the farmer's shed. In the United States the farmers, once their tobacco is dried, sell it to parties who are called re-handlers, or packers, and these people prepare the tobacco so as to give it its real value. Then the manufacturers buy the tobacco from these packers or re-handlers. No manufacturer buys tobacco direct from the farmer because it is not suitable for industry at that time. I find here in the *Journal d'Agriculture et d'Horticulture de Québec* a good illustration of what I am just stating. A paragraph in that journal says: 'Tobacco uncured, only dried and not having been fermented does not deserve the name of smoking tobacco any more than the juice of the grape unfermented, deserves to be called wine.' So there must be between tobacco growers and the industrial people an intermediate here in Canada just as the thing exists in the United States. In the county of Montcalm, two years ago, some farmers tried to form a kind of a partnership or company for the purpose of erecting a building and carrying on this rehandling or curing of tobacco. They thought the capital required would be over \$5,000. The more enthusiastic farmers subscribed up to the amount of very nearly \$2,000 and the scheme was well thought of by all the people there. Other parties, being less enthusiastic, being afraid that their money would not be properly managed, there being no regular corporation or firm, did not subscribe. I am quite sure, if this Bill becomes law, enabling a company to be very easily formed, that in my county there would not be one, but several societies of this kind formed amongst the farmers themselves.

By the Chairman:

Q. You believe that the individual effort will be a collective effort?—A. Yes.

By Mr. Monk:

Q. Would it be a saving to the farmers?—A. It would be a large saving to the farmers. You see in the county of Montcalm alone, where the crop is over 3,000,000 pounds a year, there are about twenty-five tobacco traders. These are farmers who

became traders in the tobacco. They buy the tobacco from the other farmers and they sell it to the manufacturers. I am sure that each one of those twenty-five tobacco dealers make a gain of at least \$1,000 a year, so that it amounts to \$25,000 a year which is taken from the farmers of the county of Montcalm. These tobacco dealers sell the tobacco to the manufacturers without improving it; they are only agents between the farmers and the manufacturers. As I say, it is a loss in my county, I have no doubt, of \$25,000 to the farmers. If the farmers were organized into a co-operative society of this kind, they would save this amount.

By the Chairman:

Q. And more perhaps?—A. More perhaps. They would make this benefit for themselves at all events.

Q. They would save more, Mr. Dugas, because they would improve the quality of the tobacco by curing it?—A. Yes, they would improve the quality. I might say this also, that the government has sent some samples of our tobacco from the county of Montcalm to the European market, to London, to Liverpool, and also to Belgium and Holland, and had them tested there and the reports which have been brought before the House show that our tobacco is of good quality. But in those countries they say they cannot use the tobacco in the shape it was sent to them; it must be redried and cured properly. Well, the farmers amongst themselves could do this curing of their own tobacco under the provisions of this law.

Q. Have you had occasion, Mr. Dugas, to discuss the principle of this bill with any of your tobacco growers in Montcalm?—A. No.

Q. Have you ever had any communication with them regarding the feasibility of a co-operative system?—A. Yes.

Q. Established amongst them?—A. Yes. As I stated at first, they wanted two years ago to have this co-operation established in their own county.

Q. So it is a long-felt want in your county?—A. Sure, and I have no doubt the Minister of Agriculture would give some help to such an establishment.

The witness then retired.

Mr. J. A. RUDDICK, Dairy and Cold Storage Commissioner, was called and examined.

By Mr. Monk:

Q. Mr. Ruddick, what is your position in the Department of Agriculture?—A. My official title is Dairy and Cold Storage Commissioner at the present time.

Q. Since some time?—A. I have been Dairy Commissioner since the beginning of 1905. The other part, Cold Storage Commissioner, was added to my title only a few weeks ago.

Q. You have had much experience in matters concerning the department, have you not?—A. I have been engaged in it all my life.

Q. Have you had occasion to look over the provisions of this bill?—A. I am sorry to say only briefly. I never saw the bill until Wednesday afternoon, and I have been pretty busy with departmental matters ever since. However, I read the bill over twice.

Q. Will you state to the committee what advantage it would be to the agricultural classes, the system of co-operation which this bill purports to establish, particularly in regard to dairying and cold storage?—A. I think there is a great feeling in Canada, amongst the dairy farmers and fruit growers, for the growth of this co-operative movement. We have really very little true co-operative work amongst the farmers in Canada. There is a good deal said about co-operative dairying, but there is scarcely a purely

APPENDIX No. 3

co-operative dairy association in this country. They are more or less joint stock companies.

By the Chairman:

Q. Have we not in our province any established on the co-operative principle?—

A. The most of the cheese factories in the province of Quebec.

Q. But speaking generally?—A. They contain the germ of the co-operative idea in as much as the farmers consent to bring their milk to one point to have it manufactured.

Q. And they are entitled to so many pounds?—A. What it makes. There is a little difference in the plan followed in different localities. In some parts of the province of Quebec the man who owns the factory gets a percentage of the price for manufacturing it. In other parts of Canada, and that is the general rule, he gets a fixed price for manufacturing. That is the only co-operation there is in cases of that kind.

By Mr. Smith (Nanaimo):

Q. The capital of the institution is collected?—A. It is provided by the man who owns the factory.

By Mr. Monk:

Q. The farmers do not own the factories?—A. In some cases they do. There are some truly co-operative factories, but there are a great many that are purely joint stock companies. The share capital is held by men who do not send any milk to the factories, and they are not strictly co-operative. If the committee would like, I would be glad to give some information that I have concerning co-operation in Denmark and New Zealand where I have been and looked into these things to some extent. I suppose you have all heard it stated that co-operation is the basis of the success of agriculture in Denmark; there is no question about that, I think. Their progress dates almost from the time that co-operation was introduced into agriculture there. I am more familiar with the results than with the methods, but I think there are a few underlying principles in the co-operative societies of Denmark which are well worthy of being looked into. They started first with co-operative creameries in 1882, and now there are over 1,100 purely co-operative creameries in Denmark. In addition to that there are about 200 privately owned concerns. Then followed the co-operative bacon factory which has been a tremendous success; over half the bacon factories in Denmark are purely co-operative. The capital of some of these co-operative bacon factories amounts to nearly \$100,000, and there is one amounting to \$400,000. Now, the peculiar thing about this capital is that there has never been a dollar of share capital subscribed. There is no share capital in any of the co-operative institutions of Denmark. The members form an association—they bind themselves in the case of a dairy factory to supply all their milk to that factory, and they each and all become jointly responsible for a loan from the bank to start with.

By the Chairman:

Q. Is there any limit to the shares of any of the shareholders?—A. In some cases there are limits, I think, but the responsibility is distributed according to the amount of milk that a man furnishes to the dairy factory or according to the number of pigs that he supplies to the bacon factory. Of course the banks have great confidence in this method of carrying on work, or they would not give the money. The farmers can form a co-operative society in Denmark to carry on work, and the bank will furnish every dollar required to pay for the plant, and the working capital in addition.

Q. It has been a success?—A. A tremendous success. So much so that the agricultural exports of Denmark amount in round figures to about £20,000,000 sterling per year, and £14,000,000 sterling of this sum come from co-operative societies. When

7 EDWARD VII., A. 1907

you think that Denmark only covers 15,000 square miles, two-thirds of the size of Nova Scotia, it shows you what a success they are making of agriculture.

Now, there is another feature of the Danish system of co-operation which is worth considering: they never undertake more than one line of work for each society. They will organize first a co-operative dairy company, and then some farmers will form a co-operative egg export society, using the premises probably of the dairy factory, but they have their separate organizations, so that every member of the association is interested in every part of the business done by that association. Their idea is that if the creamery company engaged in the egg business, some members would not have any interest in it, and then there would be dissatisfaction. Again, some farmers will organize a bacon factory. Then there is a great federation of all these societies. It is bewildering when you come to read and go into the number of organizations and co-operative societies that they have. They are all federated together in various ways, being more or less under the wing of the Rural Agriculture Society, which, of course, is not purely co-operative, but a sort of an affiliated society, and has the directing influence in all these other associations.

Q. Do you, Mr. Ruddick, assign to the existence of these co-operative societies the success that Denmark has obtained as a farming state in the markets of the world?

—A. I am compelled to do so, not from my own actual knowledge, but every Dane that I have spoken to or discussed these questions with, does attribute their success to this co-operative work.

Q. In Europe it is certainly the banner state as regards—A. Agriculture; undoubtedly, I think.

Q. And dairy products?—A. Par excellence.

By Mr. Monk:

Q. They export a great deal to England?—A. Nearly all their export trade is to England. I think they export only about £2,000,000 sterling to other countries.

By Mr. Smith (Nanaimo):

Q. Do the co-operative wholesale societies buy from the Danish co-operative manufacturers?—A. The Wholesale Co-operative Society of Manchester have their depots in Denmark. In that country there is a regular gradation of co-operative societies from these dairy companies. They will have a society for the export of butter, then they will form another society for the purchase of supplies, another society for the breeding of cattle, and another society for the testing of cows; they never mix up different lines of work in these societies. They have all organizations for the simple matter of collecting statistics about creameries and the cost of operating such institutions. It may be interesting to the committee to show you how that works out. They collect statistics from every creamery in the association, and they have a regular form which is filled out. For instance, as to the cost of fuel, different members compare the figures and they find out that it costs them more for fuel in one creamery than in another. Then they call in and consult the engineer of the society to determine where the loss is, and they have reduced the cost of manufacture just by comparisons with neighbouring concerns.

By the Chairman:

Q. It is scientifically organized, from what I see?—A. It is scientifically organized. Then there is another thing about it. You may ask how it is possible that the Danes have carried this thing so far. They will tell you that it is their system of education.

By Mr. Monk:

Q. Do you mean by that, that they have been educated to the co-operative movement?—A. They have been educated to the co-operative movement. They may go

APPENDIX No. 3

further, and in time co-operation may be taught in conjunction with the work of the popular high school. I may tell the committee that I found it difficult to get information on this matter. The government issue information on agriculture, reports and proceedings of commission, and they hand you when you go there the printed literature, but they don't seem to have anything in English with regard to the educational system. There are the popular schools, private schools usually, where young men and women go for short courses. They don't teach agriculture, they teach literature and history.

By Mr. Monk:

Q. Do they teach any economics?—A. To some extent, but not very much. They teach geography and history and things of that kind.

By the Chairman:

Q. To sum up your evidence. You think that the establishment of co-operative societies on a like basis in Canada would in the long run have the same effect?—A. I think it would. Of course, I don't think our people would take up co-operation to the same extent.

Q. On similar lines?—A. Yes.

By Mr. Monk:

Q. It would take them some time?—A. It began in 1882 and has been growing rapidly all the time, and it seems to me that it is only a question of time until the whole business of the people becomes co-operative.

By the Chairman:

Q. You were speaking of cold storage and dairying. Would you explain how it is in Canada that you find co-operative societies identified with these two branches of your own department?—A. Well, the manufacture of butter and cheese is quite frequently carried on purely on a co-operative basis. That is to say, the actual cost of manufacture deducted from the value of the produce goes to the members who supply the milk. Then, in connection with the fruit industry there is very good chance for the improvement of the apple trade inasmuch as the great defect in the apple trade is the lack of organization. If there were organizations on the co-operative basis we could gain control of the packing of the apples whereby the grading could be kept up to a high standard, and we should be able to sell direct to the British buyer instead of through a commission agent. There are judged to be twenty-five associations already established in Canada, and they have worked very successfully during the last two or three years.

By Mr. Smith (Nanaimo):

Q. Are those societies co-operative?—A. Purely co-operative. I have here the names of the associations and their secretaries or managers:—

Name of Association and Secretary or Manager.

East Lambton Fruit Growers' Association, W. J. Seymour, Arkona.
 Belleville Apple Growers' Co-operative Association, F. S. Wallbridge, Belleville.
 Brant Packing Association, F. M. Lewis, Burford.
 Bruce Fruit Growers' Association, A. E. Sherrington, Walkerton.
 Burgessville Packing Company, S. R. Wallace, Burgessville.
 Burlington Fruit Growers' Association, A. W. Peart, Burlington.
 Canadian Apple Exporters, Limited, W. H. Dempsey, Trenton.
 Chatham Fruit Growers' Association, W. D. Ross, Chatham.

7 EDWARD VII., A. 1907

Dunwick Co-operative Association, R. Campbell, Cowal.
 Forest Fruit Growers' and Forwarding Association, D. Johnson, Forest.
 Georgetown Co-operative Association, F. J. Barber, Georgetown.
 Georgian Bay Fruit Growers' Association, J. G. Mitchell, Thornbury.
 Grafton Fruit Shippers' Association, M. J. Gillard, Grafton.
 Grimsby Fruit Growers, Limited, J. D. Biggar, Grimsby.
 Ilderton Fruit Growers' Association, E. T. Caverhill, Ivan.
 Newcastle Fruit Growers' Forwarding Association, W. H. Gibson, Newcastle.
 Meaford Fruit Growers' Association, Dr. J. G. Hamill, Meaford.
 Norfolk Fruit Growers' Association, Jas. E. Johnson, Simcoe.
 Oakville Fruit Growers, Limited, W. R. Davis, Oakville.
 Orillia Fruit Growers' Association, R. A. Lehmann, Orillia.
 Oshawa Fruit Growers, Limited, Elmer Lick, Oshawa.
 Owen Sound Co-operative Association, W. P. Telford, Owen Sound.
 Parkhill Farmers' Co-operative Association, Wm. Leary, Parkhill.
 Randolph Co-operative Association, J. G. Mitchell, Thornbury.
 Sparta Fruit Growers' Association, J. A. Webster, Sparta.
 St. Catharines Cold Storage and Forwarding Company, Limited, R. Thompson,
 St. Catharines.
 Ingersoll Co-operative Fruit Growers' Association, J. G. Harriss, Ingersoll.

WITNESS.—I have here the by-laws for Fruit Growers' Association:—

BY-LAWS OF THE.....FRUIT GROWERS, LIMITED,

Incorporated under the Act to Provide for the Incorporation of Cold Storage Associations of the Province of Ontario.

1. This association of fruit growers shall be known as the Fruit Growers, Limited.
2. The purpose of this organization is for the packing and selling of the fruit grown by its members; also buying and selling such other fruit during the season as opportunity presents.
3. The capital stock of the company shall be in shares of the sum of ten dollars. No member shall hold more than twenty shares.
4. The annual meeting of the company shall be held on the first Thursday in May each year.
5. Special meetings of the stockholders may be held at any time upon the call of the president by written notice mailed to each stockholder five days before the meeting. Special meetings shall also be called by the president whenever required to do so in writing by one-tenth part in value of the shareholders of the company.
6. At any meeting of the company, a one-half representation of the stock either in person or by written proxy shall constitute a quorum for the transaction of business.
7. At the annual meeting of the company five directors shall be elected of whom three shall constitute a quorum at any board meeting.
8. The offices of the company shall consist of a president, vice-president, secretary-treasurer, manager and two auditors.
9. The president and vice-president shall be chosen by the directors from among themselves at the first board meeting after the annual meeting. The other officers shall also be chosen at this time, but not necessarily from among the directors.
10. All elections of the company shall be by ballot, plurality electing, conducted by two scrutineers appointed by the chairman. Every shareholder shall be entitled to as many votes as he owns shares in the company.
11. The president shall preside at all meetings of the company. He shall call meetings of the board of directors and shareholders when necessary and shall advise

APPENDIX No. 3

with and render such assistance to the manager as may be in his power. In his absence the vice-president shall have and exercise all rights of the president.

12. The secretary-treasurer shall keep a record of the proceedings of all meetings and of all the receipts and disbursements, and report the conditions of the finances annually or as often as the directors desire.

13. The manager shall have charge of the business of the company in detail under the supervision of the president.

14. The manager and secretary-treasurer shall give bonds in such sums as shall be acceptable to the company.

15. The directors may select three of their number to act as an executive committee, (the president is to serve as chairman) to have general charge of the affairs of the corporation during the fruit season.

16. When a vacancy shall occur through any cause in any of the offices established by the by-laws of the company, it shall be filled at the next regular or special meeting.

17. Any fruit grower in _____ county or township shall be eligible to become a member by a two-thirds vote of the stockholders at the time the application is made.

18. Any member of this company may withdraw at any time between January 1 and April 1. Such notice of withdrawal must be given in writing to the president or director of the company.

19. All apples grown by the members of this company shall be delivered to the company's packing house in prime condition for grading, packing and shipping; other fruits may be delivered to the company for sale on commission.

20. The books of the company shall be audited before the date of the annual meeting each year. At this meeting a printed statement of the receipts and expenditure as audited shall be presented to each stockholder.

21. These by-laws may be amended at any regular or special meeting by a vote of the stockholders or stock present in the affirmative. Notice of such amendment must be given each shareholder by letter or otherwise at least five days previous to the meeting.

By Mr. Monk:

Q. What I wanted to ask is, do you not have the opinion that the federal legislature has jurisdiction as well as the local legislature in the matter?

By the CHAIRMAN.—I don't think that Mr. Ruddick will be an authority on that.

By Mr. Monk:

Q. I wanted to ask if in order to obtain the best possible results with regard to the idea of corporation and also in order to have uniformity in the matter of the organization of these societies, would it not be an advantage to have the government centralized?—A. I think I understand the question. I would like to answer it in this way, if I might be allowed to do so. I think there is an absolute necessity for some advisory, some central authority if you like, to assist in movements of this kind. I should like to refer to the co-operative movement in Ireland as an illustration. As I have already pointed out, in Denmark they have had that assistance with reference to agricultural societies. In Ireland a number of years ago as most of the committee, I am sure are aware, there was formed a voluntary association known as the Irish Agricultural Organization Society. It was a purely voluntary association. This association under Sir Horace Plunkett, then Mr. Plunkett, organized dairy societies, flax societies, for they have flax societies in Ireland, and agricultural societies. This organization also published a journal until recently called *The Irish Homestead*, which was the organ of the association and laid before the people explanations of the aims of the association and advice in regard to various things. This organization has been of great benefit no doubt in the movement of advance in agri-

7 EDWARD VII., A. 1907

culture in Ireland, and I may say it has organized 800 creameries which are very successful and organized a great many of these other societies. I don't think it possible for the movement to have made anything like the progress it has, but for the guidance given by this society which is purely voluntary and which is now more or less merged in the Department of Agriculture. All I can say upon the point is that I think there is a very great need of some simple source of advice and guidance, for in all movements of this kind, you can see that wherever they have been successful there has been some guiding influence.

By Mr. Smith (Nanaimo):

Q. Is this voluntary society you speak of similar to the dairying societies which have been created on the co-operative wholesale system in England and Scotland?—A. Yes.

Q. Have you any knowledge of the actual working of those societies?—A. I have not.

By the Chairman:

Q. You have no particulars, but know the general effect?—A. I know that they have been a great success.

By the Chairman:

Q. So to sum up your evidence, you say that the adoption of a Bill on the lines of the one which is now being considered by the committee would be a great benefit and advantage to the rural classes?—A. I have not studied the Bill carefully enough, I am afraid, to give a carefully studied opinion, but I think the principle is right, and would be a great benefit to agriculture in this country where not organized.

(Co-operative dairying in Denmark was filed as Exhibit 5.)

Professor SHORTT, Queen's University, Kingston, called, and examined.

By the Chairman:

Q. You have made a special study of economics?—A. Yes, that is one of my special lines.

Q. Have you read the Bill which is now being considered by this committee, entitled, 'An Act respecting Industrial and Co-operative Societies'?—A. Yes, I have read the Bill.

Q. Without committing yourself to any special clauses of the Bill, would you state if, with the experience you have, and the study you have made, the general principle of the co-operative movement or of societies is a commendable one?—A. For a number of Canadian industries I think it is. If you wish me to state the general aspect, perhaps I might. The matter, of course, historically and in its chief working, is to be found in its most perfect shape in Europe. The conditions there are favourable to co-operation, and a great many different organizations have been developed and a great many industries taken in and so on. In the reports presented, for instance, at the periodical meetings of representatives of those co-operative organizations in Europe, we have most interesting results, bringing out, however, certain local and national peculiarities. Thus, for instance, in France we have a great many industries, both agricultural and manufacturing, carried on by co-operative societies. In southern Germany, Italy and so on you have a number of others. It is rather remarkable, however, that in Germany, with the modern development of German enterprise, those tend to be cut down and to be specialized in narrower grounds, larger industries

APPENDIX No. 3

taking them over. In Britain the manufacturing side or productive side of co-operation is not very extensively developed, for that very reason again that Britain is more completely developed on the other side. Distributive co-operation is very strongly developed in Britain. In Europe the banking side of co-operation is very strongly developed through people's banks.

Q. Where?—A. In Europe generally, but not in Britain. When we come to America we find, as I frequently put it to my students, we have a co-operative system in our business, which, I take it, is much more developed than anything we have in Europe. It applies to the whole system. America is peculiar in that there is a remarkable fluidity of capital and labour. There are rural sections, of course, where people are tied to their farms, and other sections in which they are more or less tied to localities. America is a region in which there is a great tendency to move wherever improvements and opportunities offer of bettering one's position; accordingly they are not tied as they are in Europe. The consequence is that that tendency to contribute labour and capital in the same locality is not so necessary nor so developed. But at the same time in America there are special lines in which co-operation in the form indicated in the Bill is very necessary to supplement our process, and I take it that in that way there is a field for co-operation in America which is more definite, more restricted, but not less necessary, than in Europe in supplementing those lines. I notice that Mr. Ruddick was speaking when I came in of the fruit industry. That is a line where our ordinary commercial processes do not work very well in a good many ways. We have out in western Ontario, to my personal knowledge, a number of co-operative efforts in the agricultural line which have failed, or perhaps it would be better to say, which have been taken over by larger organizations. Others again have eminently succeeded, and many of those actually taken over were successes at first and were passed over into the other line. There is a greater tendency in that way I think in America to pass from the co-operative stage over into what I call the more normal stage. The transition, however, is a highly desirable thing. The action taken by the provincial governments, and to a certain extent by the Dominion government, and the action being taken by the Department of Agriculture—those are all very desirable features, because they enable the transition to be made from a more or less helpless condition round to one in which the possibility of taking it over altogether comes out. So that in all these respects I think the general principles of the Bill are very commendable indeed. There is one aspect of it, however, which I must say does not commend itself to me—that is as a general feature—and that is the banking phase of it. That aspect of it I think is not specially called for. Moreover, when we look at the operation of people's banks in Europe we notice that they are fostering and discharging excellent service for two reasons, because they do not bind a man to the ordinary banking system of the country, and furnish an opportunity for investment. I may, perhaps, characterize it in this way. If you take the difference between banking in Canada or the United States and Britain or the European countries, you find that in Europe the note issue is the great feature. The deposit business is comparatively small, the discount business not on the same basis as ours, but the loaning of capital in the shape of bank notes a feature. The thing is that the people do their business on actual currency. That is the point of difference. They don't put their money into banks in deposits; they hoard it up, and consequently it is only the larger business men who have dealings with the banks; the smaller people have their money stored away. That is notorious in France and in southern Europe. Here, people of smaller economic outlook and opportunity take advantage of the banks both as regards deposits and opportunities of receiving discounts. In America we have carried this to the highest pitch, and except in certain rural districts and in out of the world places it is coming to be absolutely universal for even labouring men to have their bank account, and to get discounts if they have any particular business to carry on. In western Ontario—I hope I am following the right line—I notice that co-operative agriculture and to a certain extent dealing and all that, works very nicely, because

they have banks universally able to finance the products of the producer, and consequently there is no limitation to the co-operative system by lack of facility for discount. There may be certain sections of Quebec province or certain fishing villages in Nova Scotia that possibly I am not quite familiar enough with the details of these to know of that, but I should think the number would be few. On the other hand, I understand that the Bill is a proposal for the encouragement of deposits by very small earners, and the utilization of those deposits for the carrying on of co-operative work. Then we have to ask what kind of business it is your proposal to carry on. A lot depends on the character of the business. If it is farming, people would require in a co-operative business a considerable amount of capital to finance their shipping at a particular time of the year, but at other times of the year they would not require that. There would be a strain, therefore, put upon the accumulations of these banks at a particular time, and during the rest of the year you would have a lack locally for the investment. As co-operation I don't think is likely in this country to go in for manufacturing and that sort of thing to any considerable extent, any such accumulation when the disbursement of the funds in hand is limited is of particular consequence. We had the difficulty occurring in the early history of this country, and to-day the chief aspect of the American banking system is that individual lending banks lend again for larger rates, with the result that you have a stringency and a plethora of money. The immense advantage of our Canadian system, and where it is superior to the American, is by having a single bank with branches all over the country, and the administration concentrated so that relief can be given where it is required. And there is this phase of the process, that it prevents that tendency to stimulate speculation and a natural development at one time of the year and to make for stringency in another.

By Mr. Bourassa:

Q. Is it not your experience that the result of the multiplication of these branches of a bank is rather to drain the savings from the smaller territories and concentrate them in the centre where the bank has its chief business?—A. You mean the exchange?

Q. Yes?—A. I agree to this extent, the savings of a particular section will be scattered throughout the whole country so that, for instance, take the section like Perth, in Lennox county, where a great many deposits were made and in the corresponding time there was a small outgoing, what would be the result? The people in that district would get money at a much lower rate than anywhere else in Canada and, therefore, it is true that the people of the Perth district have to pay higher—that is the average rate of Canada—instead of a plethora of savings furnishing them with an unduly low rate. I think that is the advantage of the system and that it is to the advantage of Canada as a whole.

By Mr. Monk:

Q. I would like to point out to you my experience as far as facility for poor people in rural districts or cities obtaining small loans leads me to the opposite conclusion. Our larger banks have branches in the rural districts and suburbs of large cities, principally for the purpose of obtaining the advantage of the deposits. It is impossible in Montreal for a labouring man or any person in the country, who may require a small loan to get tools to start him in his trade, to obtain credit from the banks. Don't you think the banking feature of this measure will enable these poor people, not only to get the advantage of discounts, but to get small loans which they cannot get now except through what exists to a very great extent all over the country, that is usually. That is one feature I want to call your attention to, and then banking is a very effective process for the poorer people coalesced together for the purpose of carrying on a credit and loan society, if properly carried out. It gives them facilities for getting money where it is needed, and their credit is good, and they are honest people, on favourable terms, and it enables them to learn thrift. Do you not think so yourself?—A. Yes, I fairly agree with all you have said, if the other conditions are favourable, which I take to be

APPENDIX No. 3

these: The savings of those people to furnish these loans are supposed to come from the people of that district, I take it.

The CHAIRMAN.—Yes?—A. Now is there anything in the experience of any part of Canada to indicate that the need for those loans in that section will be uniform? What I mean is throughout the year, so that the money will be used.

By Mr. Monk:

Q. If I understand your question, in the agricultural districts there is a period of the year where the farmer very often requires money and cannot get it except at exorbitant rates. The want of small loans is felt uniformly, I think?—A. In cities they must be for continuous industry, I suppose.

By Mr. Monk:

Q. For continuous industry or the setting up of a man in some new trade, the buying of tools and so on?—A. These are some points which I wish to raise in detail. I wish to know, because it is not stated in the bill, whether those deposits are demandable by the parties making them?

The CHAIRMAN.—Yes?—A. If the deposits are demandable and at the same time the money which is collected in that way can be utilized to set up a man in trade, where is the man to get the money when the deposits are asked for? The present system of banking has to look to that, as the core of the whole thing, namely, the necessity of having short loans, thirty days, sixty days, ninety days at the outside, in order that they may call in that money at any time. They must always have it coming back to them and consequently our Banking Act very properly prohibits the investing of the money in any line, such as mortgages, which will tie it up.

Mr. MONK.—Loans made from banks must be reimbursed with short delay. They may be renewed once or twice, but at the second time they are supposed to pay up. In most cases of labouring men, and sometimes in rural districts, they cannot reimburse except on long terms.

Mr. BOURASSA.—They want more frequent and smaller reimbursements.

WITNESS.—Well, then, how can the deposits be payable on demand?

Mr. MONK.—The deposits are deposited in the bank.

A. But I understand that it is out of those deposits that the loans are made.

Mr. MONK.—Not necessarily. Out of the clear capital, I suppose.

A. That is all right. With that side of it I thoroughly agree. It is the banking feature I find difficulty with.

The CHAIRMAN.—Might I suggest that Professor Short should be made acquainted with the organization of the institution we have at Lévis on that plan, and be called again before the committee to give his views on the banking features of the Act.

Mr. MONK.—I wish to call your attention to two recent works of Mr. Pratt on the agricultural development in England, in which he says what they really require in England are those loan and credit societies in conjunction with the societies for production and consumption.

A. Well, it is true that the English banking system in that respect is not nearly so flexible as our own. However, you understand that I approve of the co-operative aspect of the measure, and it was simply the question of details. Perhaps there are one or two points in that.

Mr. BOURASSA.—If I understand you right, what you stated about the banking feature was not so much that there was objection to the provision of the bill, but that the needs of the country were not similar to those in Europe.

A. I can conceive of it applying to particular sections of the country, and that probably the only people who would suffer by it would be the shareholders, the founders of the society, if it does not work to the extent of their hopes. The point is where the depositors can get their money.

7 EDWARD VII., A. 1907

Mr. BOURASSA.—The depositors are the shareholders. They cannot be depositors unless they are shareholders.

WITNESS.—I understand that. It seemed to me that unless you had a very varied industry you are going virtually to convert his deposits into extra shares at particular times when he could not readily draw it out. However, that depends on particular conditions.

The committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 30,

FRIDAY, March 1, 1907.

The Special Committee to whom was referred Bill No. 2, An Act Respecting Industrial and Co-operative Societies, met at 11 a.m., the Chairman, Hon. Rodolphe Lemieux, presiding.

The examination of Professor Shortt continued.

By Mr. Monk:

Q. I have but a few questions more to ask you, and those in respect to the credit and loan, or banking, feature of the Bill. The Bill which is now under the consideration of the Committee has been framed very much upon the model of similar legislation in England, and in that Bill, as well as in ours, provision is made for that form of co-operation which consists in credit and loan associations, and special precautions surround that particular form of co-operative association. Speaking generally, would you not think it would be a pity if no provision at all were made in the Bill for such a form of co-operative association?—A. The agricultural form, do you mean?

Q. The banking, or credit and loan, form. I say that as the Bill provides generally for all forms of co-operative associations, and as the object is to encourage co-operation throughout the country, would you not say it would be a pity if no provision were made for a credit and loan, or banking association, provided those associations were properly cared for by special enactment?—A. Yes, I should probably assent to that.

Q. Now, Professor, I wish to call your attention to one or two authorities in respect to the credit and loan form of co-operation, and I will quote from a recent book by Mr. E. A. Pratt on 'The Organization of Agriculture' which was published in England. At page 310 of this work, Mr. Pratt says:—

'Another factor in the situation is the absolute need that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of British agriculturists in general may be more favourable than that of the peasantry in various other countries where an easy agricultural credit was established years ago, the extreme desirability of such credit being available in Great Britain, also, is beyond any possible doubt.

'Happily, here again a good commencement has been made by the Co-operative Banks Associations, whose headquarters are at 29 Old Queen street, Westminster, S.W. The purpose of this association is to establish both town and country co-operative banks, the former being registered under the Industrial and Provident Societies Act, and issuing £1 shares, paid for in weekly instalments of 6d.; while the latter are registered under the Friendly Societies Act, and borrow money from the Central Banks Committee on the collective credit of the members (as the town banks do on the credit of their shares), for the purpose of making small advances for productive purposes.

APPENDIX No. 3

These country co-operative banks are, in fact, of that Raiffeisen type which has already conferred such inestimable benefits on so many countries abroad, and their adaptability to the requirements of the small cultivator, the village tradesman, and the labourer in the rural districts of England has been abundantly proved by the eleven village banks which have already been established, four of them being in Leicestershire, two in Worcestershire, two in Norfolk, and one each in Hampshire, Nottinghamshire and Leicestershire. Where these banks exist there is no need for individuals of the classes mentioned to resort to the professional money-lender, and loans of from £2 to £10 or £20 can be readily obtained by honest and deserving toilers for the purchase of live stock, fertilizers or implements, the repairing of glass houses and other purposes.'

In view of the opinion expressed there by Mr. Pratt, would it not, in your opinion, Professor, be useful that the Bill should authorize the establishment of these small loan associations in case the want of them should be felt in certain parts of Canada?—A. No doubt, provided adequate safe-guards were introduced adapted to the conditions of Canada.

Q. Further on at page 375 Mr. Pratt says:—

'But experience has already shown that no really effective scheme of agricultural organization on a wide-spread basis can be carried out even in Great Britain, unless supplemented by some practical system of co-operative agricultural credit banks, arranged on so comprehensive a scale as to meet the varying wants of all our agricultural classes. There may not be in England, Wales and Scotland so large a proportion as in Ireland and in various Continental countries of those very small cultivators to whom the loan of £5 or £6 from a co-operative village bank would be a great personal convenience. A certain demand for such facilities there undoubtedly is on the part of labourers and very small producers, and such demand the Co-operative Banks Association should, with adequate support, be well able to meet. But a wider basis of operations than this is required to answer the requirements of farmers who would want to borrow more substantial sums, and might find it an inestimable benefit if they could obtain them from a co-operative credit bank.'

Now, given that these small loan and credit societies only lend to members of the association themselves, that they do not issue any paper money as our regular large banks do, and that their operations, as contemplated by the Bill, are confined strictly to a very limited area, would you not think such institutions, being carefully supervised by the government, might meet a pressing want, and might have considerable educational value as an agent to teach thrift to our people?—A. In certain localities and under special conditions, yes. But it would depend on the details and the organization, bearing in mind, as I said at the last meeting, that conditions in Canada differ very greatly from those in Britain.

Mr. MONK.—Yes, I wish to come to that point. Conditions, as you say, are somewhat different.

By Mr. Sinclair:

Q. In what respect do they differ?—A. In Canada?

Q. Yes?—A. Well, in the first place the system of small cultivation of the land, of the relation of the land to the cultivator, of the economic and social structure, the fluidity of conditions—economic and social—all very greatly differ in Canada from Britain, and as I said, differ greatly in different districts of Canada.

Q. We all understand that, but how do they differ in regard to savings institutions?—A. Well, in the experience and knowledge they have of each other's conditions, of the methods by which they do their business, of the degree to which existing institutions serve these purposes in these two different countries, and so on.

Q. Do you mean that in Canada we understand the credit of each other better than they do in England?—A. No, the reverse. We understand it less, except in certain districts of the country, all depending upon the stability of the system, the fixity of social relations, and so on. I should say, for instance, that you might find two

7 EDWARD VII., A. 1907

extremes: one in the eastern provinces, certain districts of Nova Scotia, Quebec, and so on, and the other in some of our Northwest regions.

Q. I would be inclined to think, where I am acquainted with the people in small villages in Nova Scotia, that they understand a great deal about one another?—A. That is what I am saying, that is one extreme. The other extreme is the Northwest, where the people have flowed in in the last twelve months or two years and where they know very little about each other.

By the Chairman:

Q. That is to say, according to your views, institutions such as referred to by Mr. Monk would be quite in order in say Nova Scotia, Quebec, and Ontario, generally, whilst it would be perhaps a dangerous experiment to have them in some sections of the west, in those far-away districts, where the people have just been settling?—A. Yes, and then there are differences even in Ontario and Quebec, as between the more changeable sections of the province and the less. These are minor differences, but the difference you express is certainly a great one.

By Mr. Monk:

Q. I find, Professor, there is confirmation of the opinion you express in a work prepared under the direction of the United States Statistician, by Mr. Edward T. Peters, and published by the United States government at Washington in 1892. The work entitled 'Co-operative Credit Associations in certain European countries and their relation to Agricultural interests.' If you will allow me, I will quote one or two passages. At page 113, Mr. Peters says:

'For example, institutions that would be adapted to the coloured tenant cultivators of the south might not be suited to white agriculturist tenants in the north and west; while such as are adapted to the last might fail to meet the requirements of the poorer class of agricultural proprietors. In any attempt to organize an association in a particular district the prevailing need, the habits, characteristics, and circumstances of the people, and in a district of a large foreign population even the nationalities most largely represented would have to be duly considered.'

A. Undoubtedly.

Q. And Canada presenting such a wide field and so many varieties of social conditions, it is quite possible that the loan and credit feature of the Bill would be very well suited to certain localities, is it not?—A. Undoubtedly.

Q. Further on the same author says:

'There is, however, a vast field in our own country in which a sufficiently large part of the population has all the fixity necessary for co-operative purposes.'

And at page 114, the same author says:

'When a plan is presented which, in its adaptation to the wants and circumstances of those for whom it is intended, has within it the germs of a vigorous life, the people are not slow to adopt it and improve upon it in the light of their experience.'

Do you coincide with that view?—A. Yes.

Q. At page 115 the same author, speaking of co-operative credit associations says:

'From this it results that the members—especially in the smaller country towns—are to a great extent personally known to one another; while the managers are also well known to the members and have themselves the best opportunities to learn the character and circumstances of every applicant for a loan and the reputation of every new candidate for membership.'

This feature, pointed out by Mr. Peters, do you not think lessens the risk that these associations might offer in the matter of loans and taking deposits?—A. The primary conditions of safety being implied, yes.

Q. There is an expression of opinion at the end of this work by Mr. Peters in which he says, in his concluding remarks on page 117:

APPENDIX No. 3

‘In fact, few things could do as much to guard the business world against the financial crises which so frequently paralyze its industries as the general existence of institutions which tend to retain within the neighbourhood of its origin all the capital for which there is a potential local demand, and thus to keep it as fully as possible under the continued oversight of its owners.’

Do you concur in that observation?—A. Only partially; it depends on circumstances.

Q. As a remedy or a palliative for usury, if these societies are properly organized, do you not think they would have a very potent effect in diminishing the ills resulting from usury by procuring small loans to parties who are in favourable conditions of credit, if properly watched?—A. For certain classes no doubt, but for certain other classes who are the usual, the extreme, victims of usury, I do not think it would lessen the difficulty at all, because their credit and their position are such that it is just because these are uncertain that they fall victims. For others of those classes whose credit is good and character is good it would, certainly.

Q. Well, now, Professor, in the locality where I live, in the city of Montreal, you see many people whose credit is probably not very good, and who are in the hands of the usurers, but my experience has taught me that there a great many people who are poor but who are deserving of credit under certain conditions who are also the victims of usurers?—A. Undoubtedly.

Q. For that deserving class do you not think these institutions would be of use?—A. Undoubtedly.

By the Chairman:

Q. What I would like you to make very clear, because your evidence carries weight, is this: You have read the Bill carefully, and I suppose you have also studied the by-laws of the institution which exists already in the province of Quebec, known as ‘La Caisse Populaire de Lévis.’ Because of the principle or the view just now enunciated by you that there is in this country a difference in the social conditions of eastern Canada and some sections of western Canada, and for the reasons given by you as to the cause of that difference, would you not conclude that the passing of this Bill, with whatever modifications should be made of it, would be at least to the advantage of those sections of the country to which you referred a minute ago? The question is a long one?—A. I think I grasp the point. The Bill is one on which one might pass particular criticisms on particular parts which might be improved, but the system indicated by it is one in which much the greater importance depends upon the by-laws introduced, and the supervision of the department. If those by-laws are carefully drawn with two objects in view—one to facilitate the benefits of the measure for those parts of the country for which it is suited, and the other to prevent adventurers from taking advantage of it in other parts of the country where they are less known and may be able to victimize people more readily on account of that—the measure might be safely allowed to find its own adjustment in practice. This would result, I should say, in it being taken advantage of in those parts of the country where it was actually needed, and those may be expanded in proportion as the needs of those sections develop and its not being taken advantage of in other sections. But, as I say again, everything depends on the care with which the by-laws of these organizations, to be approved by the department, are drawn, and also on the supervision of the department. And as referring to the first part of your question, having looked over the experiment made by ‘La Caisse Populaire de Lévis,’ I find it an exceedingly interesting one and very instructive. But if I may be permitted to note the conditions under which it seems to operate, I should say that the operation depends much more upon the conditions under which it has been organized and the specialist who has made a very particular study of that and who has organized it apparently without much dependence upon the by-laws. The by-laws of that organization seem to me to be very defective in the sense that they are so vague and overlap in the powers in such a way that if the institution came to be closely regu-

lated by these by-laws, or if any trouble occurred, it would be exceedingly difficult to apply them with that accuracy which is necessary to fix responsibility. I should say, therefore, taking these by-laws as a sample, that since the real outcome is to place a great responsibility upon the officers and upon the committees, that responsibility had better be recognized frankly and located definitely rather than that such a complicated listlist of rules should be introduced which are not definite, and which mix up philanthropy and economics, and so on, in such a way as to render it impossible, I think, to apportion responsibility. Hence in these respects, I think if those by-laws were taken as a model for framing the others they should be very carefully gone over with that object in view, and the department should be very careful in considering what its responsibilities would be and how much supervision would be laid upon it. These are the general terms in which I should answer that question.

By Mr. Smith (Nanaimo):

Q. There are just two points I would like to put to you in connection with a statement you have made. Of course you recognize that a further factor in the operation of business is the interest a member has in the society. You would be managing the business of a man who had his own interest in it. Would that not give the society a security that could not be had in any other business?—A. I would answer that by referring you to the relative experience of mutual organizations where all the responsibility is cast upon the individuals.

Q. What society would you particularly mention?—A. Your point, I take it, refers to the general principle of men being themselves individually interested.

Q. I am referring particularly to the co-operative movement generally?—A. I think co-operative insurance, co-operative banking, and co-operative organization of any kind on a mutual basis is the point, and my reading, both in Canada and outside it, leads me to the conviction that it is not a sufficient safe-guard. I have had occasion, I may say, to trace Canadian currency—banking and exchange, and other allied institutions—right down through the whole history of Canada, and I have come across many examples in which mutual interest was not a sufficient safeguard; not because the people were not interested, but because after they had been running it a while they ceased to look after their own interests.

Q. Well, it has been very successful in other countries, as the public security has not been interfered with any more than it would be in a private operation?—A. There again you come back on the training of the people. The people of Europe are accustomed to minute control on the one hand, and where they are allowed to have their own say, on the other they take more interest in it. The diffuseness of interest among our own institutions in America is the chief characteristic. I do not say it applies to these institutions alone, it applies to all the higher ones. We have far more of the director who doesn't direct in America than we find anywhere else in the world.

By Mr. Monk:

Q. These mutuals present this feature, however, do they not, that they are spread over an unlimited district whereas the co-operative societies mentioned by Mr. Smith——?—A. Some of them, and some of them not. That is, of course, one of the defects, where they extend over large areas, but unfortunately you find them within the same districts—that is where the members can travel and be at the meetings if they care to. It was this defect that overcame the Grange movement in Ontario; all the people could be present.

Mr. Smith (Nanaimo):

Q. But this is confined to these specified areas?—A. Quite so. That is an advantage in one way, and a disadvantage in some other ways, but it is a matter of detail of course.

Q. I would point out to the Committee the fact that in certain sections of the country this system operates successfully; and in other sections where you have a

APPENDIX No. 3

scattered and varied population it works to the disadvantage of the principle. Of course, you must remember that it is their own business, it is not an outsider undertaking to do something that the public would be glad to take advantage of. Where there is this personal interest do you not think this system could adjust itself in respect of the people in communities where it is suitable? Where it was not suitable it would not likely be originated?—A. I have said so, assuming adequate conditions and detailed regulations.

By Mr. Sinclair:

Q. You have said that you thought a great deal depended on the supervision and inspection of the department. In section 16 of the Bill it is provided:

‘The Minister may, if he thinks fit, on the application of ten members of a society, each of whom has been a member of the society for not less than twelve months immediately preceding the date of the application, appoint a person to inspect the books of the society and to report thereon; provided that:

‘(a) The applicants shall deposit with the Minister such sum as security for the costs of the proposed inspection as the Minister requires;

‘(b) All expenses of such inspection shall be defrayed by the applicants or out of the funds of the society, or by the members or officers, or former members or officers, of the society in such proportions as the Minister directs.

‘2. A person appointed under this section shall have power to examine and make copies of all books of the society, and have free access to the said books at all reasonable hours.’

Do you consider that a sufficiently stringent regulation to meet your views?—A. Not quite, for this reason, that the Bill generally, I take it, requires the close supervision of the department, and the fact that the department must pass on the by-laws introduced would require it to take a more immediate interest in seeing that things did not go wrong.

Q. Whether they apply or not?—A. Whether they apply or not. In other words, you are apt, under those conditions, after the thing has been running for some years and public interest and care may be blunted by the success of the first experiments—you are apt to find application for inspection being made when it is too late, and the government simply coming in under this inspection to confirm the fact that losses had been made or that some unfortunate state of affairs had resulted which might be partly laid to their door for the reason of their not being careful enough in supervising the by-laws.

Q. I have no doubt myself that is true. My own observation is that in any financial institution I have known anything about where they have been very successful the shareholders lose interest in the meetings. The Bank of Nova Scotia, for instance, is one of the most successful institutions in Canada, and the annual meetings are very sparsely attended. They get 12 per cent dividend and they expect to get it always. They allow the directors to manage everything, and the meetings are very small indeed?—A. That is the history of most institutions that have gone bad. In looking back over their history they have had an unusually good start, they have been very successful for a time, and have dulled both public interest and the control of their own members until the thing had gone too far.

By Mr. Monk:

Q. The section, Professor, pointed out by Mr. Sinclair, section 16, certainly affords some guarantees, and when you add to that that the company cannot exist until the Minister has approved of its by-laws and that the department has a right to make regulations to insure the existence in the by-laws of proper restrictions, would you not be prepared to say that gives great additional assurance?—A. Undoubtedly, everything again depending on the accuracy and knowledge with which the department supervises those by-laws, passes upon them, and so on.

7 EDWARD VII., A. 1907

Q. There is another question which I think has been asked Mr. Ruddick. If we desire to encourage a co-operative movement in this country, is it your opinion that a uniform law, a uniform system of statistics, and a centralized movement in that direction is better than a movement heading from each province and being made separately in each province?—A. There are many advantages, certainly—there are a few corresponding disadvantages. It is difficult to have a general law which must apply to and authorize actions all over Canada, come down to and regulate, built upon those specific conditions which are chiefly prevalent in a province. Thus I can quite believe that features would be introduced into Nova Scotia or Prince Edward Island, or Quebec and work very admirably there which it might not be advisable to apply to the whole of Canada. But if those features are introduced into the by-laws of the institutions in those sections then the general features which might be applied to all Canada might safely be put into a general Act applying to the whole country, and so far might be much better than any provincial Act.

Q. I suppose a uniform law under which a man going from one part of Canada to another would find the same, and a uniform system of statistics would be a good thing?—A. A uniform system of statistics, of reports, and of information, is very desirable.

By the Chairman:

Q. The Labour Department, with a view of encouraging thrift and industry and stopping as much as possible the operations of usurers among the labouring classes, endeavours by means of the *Labour Gazette*, to encourage and educate the people to the advantage of such institutions, always accompanied by the proper safe-guards?—A. Yes. I find, in looking over the returns and methods of co-operative organizations in other countries, that the features which you have already introduced into the Agricultural Department, of giving special lectures by experts on the operations of agriculture, of diffusing information of that kind, might be admissible and desirable in connection with the co-operative system.

The CHAIRMAN.—No better lecturer could be had than the present witness.

Mr. MONK.—I wish we had such a lecturer throughout the country.

The CHAIRMAN.—I might, perhaps, suggest, with the leave of the Committee, this fact: Professor Shortt has examined the by-laws of 'La Caisse Populaire de Lévis,' and I see that he has blue-pencilled some of the clauses. Would any member have any objection to Professor Shortt placing his views on those by-laws in writing before us?

Professor SHORTT.—I think myself that any such consideration would be unnecessary at this stage. If it came to the stage of drawing up a model set of by-laws with the representatives of the interests concerned, it would be much more to the point and more effective to discuss the details with them, and I would be happy to meet with the Committee and discuss the details.

Mr. MONK.—I hope, Professor, that the Minister will then ask you to give him your valuable assistance as to the preparation of model by-laws, if he is still in office.

The witness retired.

Mr. A. McNEIL, head of the fruit division, Department of Agriculture, was called and examined.

By Mr. Monk:

Q. You have had occasion to look over Bill No. 2, which is under consideration of the Committee?—A. Yes, sir.

Q. Will you please tell the Committee, in a general way, if you think the co-operative societies, which it is contemplated to organize under the provisions of this

APPENDIX No. 3

Bill, would be of use throughout the country? It is fruit culture you are in?—A. Fruit culture, yes. Without attempting any criticism of the Bill, I will say that in its general principle the measure appears to me——

Q. I did not ask you your occupation?—A. I am Chief of the Fruit Division in the Dairy Commissioner's Branch. I consider the principle embodied in the Bill is a very admirable one as applied to the fruit industry, and as that industry, particularly the apple trade, is carried on throughout Canada is almost essential to its continuance as a branch of mixed farming.

Q. You have had occasion, in your experience, to see that co-operation in regard to apple production has produced good results in Canada?—A. Splendid results. As you are aware, confining myself exclusively to the apple industry, apples are grown to a greater or less degree on almost every farm. In western Ontario small orchards from one to five acres are the rule through the counties. That is specifically so through the western and middle counties of Ontario. The same general rule hold in eastern townships of Quebec and the St. John valley, New Brunswick, portions of the Annapolis valley, Nova Scotia, and throughout the apple-growing portions of Prince Edward Island, which are ever increasing and likely to increase still faster. Now, these small orchards have too many varieties and have many difficulties to contend with, but most of these difficulties can be overcome by co-operating more particularly for the purpose of selling the fruit, but also for many of the operations of fruit-growing, such as spraying. Therefore I consider this principle of co-operation, as embodied in the Bill, exceedingly useful to the apple industry. I have numerous examples, if they are of any use to the Committee, of the usefulness of this method, because we have a sufficient number of these associations now in active operation in one form or another to enable us to pronounce upon the benefits which they have secured for the fruit-growers. Let me say that I am more or less familiar with the apple co-operative associations in the whole of Canada.

Q. There is a large production of apples on the island of Montreal, is there not?—

A. A very large production of two or three varieties especially.

Q. And is it not a fact that up till lately much of these apples have been wasted?—

A. I should say that not less than fifty per cent of the quantity have been wasted from one cause or another, and probably seventy-five per cent—note the percentage—of the possible revenue has not been obtained.

By Mr. Smith (Nanaimo):

Q. What is the basis of the organization of these movements?—A. They originated, and in one or two cases now consist, in simply eight, ten or more farmers without any organization beyond a mutual agreement to put their fruit into the hands of a manager for sale. A step beyond that is where they have organized under the Cold Storage Act in Ontario and under various other Acts, especially the Farmers' Institute Act in British Columbia, and a similar Act in Nova Scotia. It has been a good thing for the farmers in those provinces who have no help to expect from the government except in Ontario in cases where they built cold storage chambers. But that has never been done in connection with the apple business as the investment was not sufficient or the necessity sufficiently great.

By Mr. Monk:

Q. I quoted to Professor Shortt a few moments ago a passage taken from the recent book by Mr. E. A. Pratt, on "The Organization of Agriculture." Let me just quote the passage to you:—

'Another factor in the situation is the absolute need that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of British agriculturists in general may be more favourable than that of the peasantry in various other countries where an easy agricultural credit was

established years ago, the extreme desirability of such credit being in Great Britain, also, is beyond any possible doubt.'

In connection with the apple industry, do you not think that the observation of Mr. Pratt applies to Canada as well as to Great Britain? That is to say, that in certain cases the existence of small credit associations in the rural districts may be of great use?—A. Might I answer the question in this way without passing upon the general principle? I have found in my actual experience with co-operative associations that where capital was introduced from outside parties, encouraging or necessitating dividends on stock it nearly always works disastrously. I myself was a member of a co-operative association and this feature of it caused its disruption. I would not for a moment set myself up as an authority on the general principle, nevertheless that has been my experience. There should be as little outside capital as possible and as great a utilization of local capital as possible.

By the Chairman:

Q. Local capital?—A. Local capital and the capital which is available just among themselves.

By Mr. Sinclair:

Q. In what way would you say that co-operation would prevent the waste of fruit?—A. Let me illustrate what I mean. The fruit growers in the neighbourhood of Walkerton have these smaller orchards of five acres to which I referred, composed of many different varieties. In the ordinary way of marketing the apples, the apple operators could not afford to send their packers into these orchards for the early varieties because they would not be able to get a sufficient quantity of individual varieties. Consequently many valuable varieties went to waste, especially those in the earlier part of the season, because the ordinary apple buyer could not afford to go round and gather them from farm to farm. Where there was a large quantity of fruit it would pay him to send a gang of men and a packing plant to put the apples up. Now in the co-operative association, the manager has a list of the varieties and the quantities that each patron has. Therefore he simply sends around a notice 'Bring your Colvert apples' (whatever the variety may be and whether they are five barrels or fifty barrels, 'to the packing house on Thursday next,' giving the growers sufficient time to pack the fruit. These apples would then be brought in and would be packed. These Colverts are in every respect a valuable apple except that they are early and not a good keeper, and there are not many of them on each farm. They were the least valuable apples that the Walkerton growers had until co-operation was introduced; now they count them among their most valuable varieties. Prior to the establishment of co-operation, fifty cents a barrel would have been gladly accepted for these Colvert apples. Now they get from \$1.25 to \$1.50 for the apples placed upon the same market as formerly—perhaps a slightly better market but not sufficiently so to account for this increase in price. Co-operation helps in the matter of packages. Under the old system the dealer, not knowing exactly how many apples he was going to buy, usually gave a small order for barrels—a comparatively small order. When he made his purchase later in the season, he was then forced to give a rush order for a larger number of barrels and consequently to pay a higher price for them. The co-operative associations, with their managers, know the number of members, with whom they constantly are in communication and from whom they can get full reports daily if necessary of the crop. Thus they can calculate how many packages they will need and can give their orders comparatively early in the season, which will be filled at the lowest prices. I have here a cutting that will explain what I mean. This is the report of a fruit-growers' meeting held on February 22 last.

By the Chairman:

Q. Where?—A. At Jordan station in the St. Catharines district. A report was

APPENDIX No. 3

there given of the results of co-operation in the case of the Fruit Growers' Association in Chatham. It was stated: 'Machinery, &c., were purchased and barrels were turned out at 28 cents each, while other farmers paid 45 cents for a cheaper grade.' You can see the saving there. Another and perhaps larger saving is in the moral effect of having a manager who is in charge of a definite number of men from year to year. Under the old system a man might buy the yield of an orchard this year, but might not purchase it again. He had no incentive to bring any pressure to bear upon that producer to induce him to grow a better variety of apples. But in the case of the co-operative association, the manager having the same patrons from year to year, and a reputation to maintain, naturally brings pressure to bear upon the poorer growers to improve the quality of their fruit. Consequently they find that the members of co-operative associations are now producing a much better quality of fruit than they did under the old system. Having been very familiar with the apple producing districts of Ontario, and especially those in the western part of the province, I know individual orchards—perhaps I could say by the score—where formerly they had produced seventy-five per cent of 'seconds' and only twenty-five per cent of 'firsts.' Now that they have become members of the co-operative association, that condition of things has been reversed; they are producing from seventy-five to eighty per cent of 'firsts' and only twenty per cent of 'culls.' That undoubtedly is the direct result of the co-operative movement. Another saving and a very great saving indeed is in the methods of making sales. A manager is presumably one of the most active and intelligent of the members of the association, so that they have the best selling skill in the entire group of fruit growers to dispose of their stock, and consequently better sales are made.

Q. How is the manager paid?—A. Usually by the amount of business that is done. The most satisfactory way appears to be in the apple selling associations, where a certain charge is made for each barrel handled. The manager will get say, five cents a barrel for each barrel of the output, and that can be re-arranged from year to year. In a small business a larger amount would be required in payment than in a large business, but this can be adjusted, of course, from year to year. Sometimes they give the manager a definite salary, as in the case of the Oakville Society, where the manager was getting \$1,500 a year. The salary has been changed and somewhat lowered this last year.

Q. And how is that salary provided?—A. By a charge upon the quantity of fruit handled, even if the manager receives a salary. In every case the funds of the association are produced by a charge upon the fruit handled of so much per package. Usually they have a separate charge for certain groups of operations. For instance, they make a special charge for the packing and grading of the fruit, and a special charge for the business management, so you see they keep these two things separate. One other advantage I would like to mention is the utilization of waste products in the orcharding. In this orchard business there must always be a large percentage of low-grade fruit. In the case of apples this waste product might be worked up into evaporated fruit. Under the old system of buying there was no inducement for private capital to go into many places and establish an evaporator because they were not sure, from year to year, of constant supplies of waste products. The growers sold to itinerant buyers who sometimes controlled the waste products and sometimes did not. A farmer could not guarantee a supply year by year of his waste products, and an evaporator could not, therefore, be established in a centre of that sort where there was no certainty of a constant supply. But under the co-operative system an association can confidently count upon a certain percentage of fruit that can be used for these by-products that formerly were of little or no use, but are now a very large source of revenue. These are some of the benefits, gentlemen, and I cannot speak too strongly upon the value of co-operating in orcharding. One other advantage I will mention before closing, and that is in connection with certain expensive orcharding operations such as spraying. To do this most effectively requires a somewhat expensive plant. A power sprayer will cost about \$250 or \$300. This is too large a sum for the farmer who has only two, three

7 EDWARD VII., A. 1907

or four acres of orchard, but is of no particular importance so far as a co-operative association is concerned. They can put in one or more of these power sprayers, and the one power spraying outfit will spray for a whole association. In the case of the Chatham Association they have two of these expensive power outfits and in the case of the Forest Association they have two outfits. They do their spraying not only more cheaply but much more effectively, because it is done by men who become experts by performing this work every day. Thus their quality of fruit is much better than it formerly was. As chief of the fruit division, having the enforcement of the Fruit Marks Act in charge, I would like just here to bear my testimony to this fact: There can be no more effective way of enforcing the Fruit Marks Act than by organizing apple growing districts into co-operative associations. We could practically do with half the staff of inspectors if we had co-operative associations. We would still need a few, because even in co-operative associations there are always men who had better be looked after a little. But I can say confidently—getting dozens of reports from the whole of Canada every day—I can say confidently that the co-operative associations are a most efficient help in enforcing the Fruit Marks Act. They have every incentive to obey the law and to see that the law is observed. The present business methods of the apple operators are such that even if an operator were honest he cannot answer for his subordinates who are sometimes spread over the whole country, hundreds of miles apart. One operator employed seventy gangs in 1905. He knew the foremen of a few of the gangs, but he could not be personally acquainted with their work, because they were separated by hundreds of miles. Notwithstanding this, he had to put his name on thousands of barrels, and be responsible for them. You can thus see that no matter how honest a man might be, his name would appear as a delinquent under the Fruit Marks Act because of carelessness if not actual dishonesty on the part of some employee.

By the Chairman:

Q. What you say is that co-operation stimulates people to act honestly and to do the right thing?—A. It stimulates them and gives them a chance to act honestly and efficiently, so it is valuable in all these respects.

By Mr. Sinclair:

Q. About what number of these fruit associations are there now in Canada?

The CHAIRMAN.—I think the list was filed the other day.

Mr. RUDDICK.—You will notice there twenty-five associations in active operation in Ontario, but there probably are twenty more in British Columbia and Nova Scotia. There are more in British Columbia than in Nova Scotia.

Q. The Fruit Growers' Association in Nova Scotia is a provincial institution, is it not?—A. Yes, there is a provincial association, but it is not a co-operative association; it is purely educational in its objects. I might say that the co-operative movement among the apple growers of Nova Scotia is just in its infancy, and has not yet had time to develop sufficiently to look for results as we can in Ontario and British Columbia.

The witness retired and the Committee adjourned.

HOUSE OF COMMONS,

Room No 32,

OTTAWA, Thursday, March 7th, 1907.

The Special Committee to whom was referred Bill No. 2, respecting Industrial and Co-operative Societies, met at 10.30 a.m., the Chairman, Hon. R. Lemieux, presiding.

APPENDIX No. 3

MR. E. M. TROWERN, Toronto, attended and was examined.

By Mr. Monk:

Q. Mr. Trowern had perhaps better explain what the objection is to this bill?
—A. Yes. Well, Mr. Chairman and Gentlemen, I am Dominion Secretary to the Retail Merchants' Association of Canada.

By the Chairman:

Q. How many members are there in your Association?—A. Over 10,500. I have been properly delegated, along with the Dominion Treasurer, Mr. Beaudry, Montreal, to appear before you, and submit what information we have regarding this co-operative bill. The matter has received the attention of our Association, and a resolution was passed which I will read to you:

"That whereas a bill has been introduced at Ottawa by the Hon. Mr. Monk asking the government to endorse co-operative societies, and to give them special privileges to the detriment of the retail trade, that this Association do all in their power to defeat this measure."

By the Chairman:

Q. By whom was that resolution adopted?—A. By the Dominion Board.

Q. Will you state briefly on what grounds that resolution was passed?—A. Well, as soon as the bill came up, Mr. Chairman, we submitted the pith of the bill to our various branches, getting their opinion on it, and then we called our Board together and laid the matter before them, and after it had been properly considered they passed that resolution.

Q. Yes, but will you state to the Committee what are the grounds of objection?—A. Certainly. Now, it is somewhat long, and, Mr. Chairman, if you will allow me to put my case in my own way probably we will come at the matter a little more rapidly. In the first place this legislation is asked, in our opinion, to supplement the Joint Stock Companies Act, or to give those people who are desirous of conducting business in this way an advantage that they could not follow out under the Joint Stock Companies Act. We take exception to the name. You call it, 'An Act respecting Industrial and Co-operative Societies,' and then your preamble says:—

'Whereas it is desirable to provide for the creation and organization of industrial and co-operative societies among the farming and labouring classes of Canada;'

Now, the bill does not in our opinion attempt to form co-operative societies among the farmers and labouring people and does not provide for carrying out the co-operative idea amongst those classes. For instance, the bill does not ask the farmers to all join their farms together, to work together, to pool their money together and divide the profits. The bill does not ask the labouring people to get together and work for somebody, to pool all their profits or labour and divide it at the end of the year. It aims at giving the farmers and labouring people of the country an opportunity of combining together, getting anyone's capital that they may like to get, and, by combining, to destroy the retail and wholesale merchants of this country. That is our objection to the Bill. In the first place, it is a bill which is framed—

By Mr. Smith (Nanaimo):

Q. Just to understand your position, I want to ask you what privilege does the Bill give to these people more than you have? For instance, the privilege that you business people have. What special privileges does it give these communities, or what special rights more than you have?—A. Well, we are not asking for the Bill.

7 EDWARD VII., A. 1907

Q. I am not asking you that, I want to understand your point. What I want to know is you say this Bill gives these people special privileges, and I am asking you what are the special privileges that this Bill will offer them?—A. If they want to do this business they can take out a charter in the regular way, that they have a right to do. Now this Bill gives them the right to form societies without taking out a charter.

Q. Without taking out a charter?—A. Without taking a charter.

Q. This Bill itself provides for incorporation of societies. How can they become societies unless they come under the authority of the Act?—A. We are objecting to the Act.

Q. Yes, I know, but I would like to get your reasons why.—A. I am going to give you the reasons why. In the next place, we say that the Bill is one that deals with trade and commerce and that the words 'Minister of Labour' should not be there, but it should be the Minister of Trade and Commerce. It is a matter of trade and commerce, not a matter of labour at all, and it should come under the Department of Trade and Commerce if the Bill is brought into effect. Then, you are limiting the shares of these companies to corporations.

'No member, other than a joint stock company, an agricultural association existing under the laws of Canada, or some province thereof, or a municipal body shall have, or claim any interest in the shares of the society to an amount exceeding \$500.' You are giving a municipality the right to put in any of its money into these societies and that money is largely taken from the merchants, who pay the largest portion of the capital of the cities and towns.

By the Chairman:

Q. What is that?—A. This is clause (a) of section 3. We will just take up these clauses. In the first clause, I object to the name, and I say that instead of the Minister of Labour it should be the Minister of Trade and Commerce. In the next clause I object that municipalities are allowed to invest their money in these societies.

Q. Cannot you state more definitely what are the grounds for the objection which your association entertains against this measure? I do not wish to interrupt you. You started by stating some objections?—A. I was starting to take up the Bill and discuss the few clauses that we think are objectionable, and I was going to give the reasons why we thought so. I will give you our reasons in a few words. It is a scheme for the purpose of getting people to come in, for the purpose of forming these associations, and then giving the dividends back to the buying public and the dividends are the bait. It is a trap laid for the uneducated people, who know nothing about trade and commerce, and that is the reason why you are offering them a dividend.

By Mr. Smith (Nanaimo):

Q. Who is offering?—A. Whoever goes into the company. Who is offering? I will read you something I have got right now. (Reads.) 'Midland Branch of the Canadian Co-operative Concern, Limited. Head Office, Hamilton, Canada.'

By the Chairman:

Q. They do not operate under this Bill?—A. This is a limited company, you understand, Mr. Chairman?

Q. Yes?—A. This thing has been in operation in Scotland for a number of years, and I have here evidence right from Scotland showing that the scheme, the co-operative scheme, has destroyed the retail business, has destroyed the wholesale business, and the manner in which they have done it is by offering dividends to the public to buy in these stores, and it has congested trade, centralized trade in these municipalities. The *Weekly Scotsman* opened its columns for a discussion of both sides of the subject, allowing its pages to be opened to those in favour of co-operative stores and those against co-operative stores. The report that I have from it, and there are any number of other

APPENDIX No. 3

reports which I can submit to you, is as late as January 12, 1907. I would like, Mr. Chairman, if you will allow me, to read one of these letters, and it will open up all the objections which we have to the Bill.

By Mr. Smith (Nanaimo):

Q. Is that in Scotland?—A. In Scotland. They are in operation there under the same system that this Bill asks for now.

Q. Is there any Bill like this in England?—A. The principles of the Bill are the same.

Q. Is there any legislation in England like this?—A. In Scotland it comes under the same class of legislation as that.

Q. Then you say there is legislation like this in England?—A. Yes, similar to this. Now this letter is—

By the Chairman:

Q. Let us be practical. You represent a large association of retail merchants?—A. Yes.

Q. I understand your association is against the Bill?—A. Yes.

Q. Why borrow any opinions from any paper in Scotland? State briefly the objection which you have to this Bill?—A. Do you not see, Mr. Chairman, it would be better to go where they have had experience of this Bill. We have only the experience of companies here in Canada, and they are in operation under the Joint Stock Companies Act. This is the prospectus that one of them puts out:—

‘What is Co-operation?’

‘Co-operation is the banding together of any number of persons in order to work out together that which one person cannot accomplish alone. The Canadian Co-operative Concern was organized by people who have an eye to the future. They have broken away from the competitors’ system with its high prices, and are banded together in purchasing from first hands the things they eat, wear and use. We not only save the profits of the middleman but share in the profits of those doing business with us who are not shareholders. Join us by helping us, help yourself.

‘OUR METHOD OF DOING BUSINESS.

‘All merchandise is sold to shareholders and others at the regular retail price which is as low as the lowest. The profits of this immense business are divided among the shareholders in proportion to their purchases and not according to the number of shares held by them. We expect, in the near future, to give you a rebate (or dividend), of 15 cents or 20 cents on every dollar’s worth of goods purchased through us.’

By Mr. Monk:

Q. What society is this?—A. This is the Canadian Co-operative Concern. The head office is in Hamilton and they are putting this advertisement in one of the Midland papers. They are to open a branch in Midland and they are asking the consumers who live in the town and the district surrounding it to invest their money in this co-operative concern. This is the class of advertisement they are putting into the papers, inducing people to put their money into the company by offering to give 15 or 20 cents on every dollar’s worth of goods purchased from them.

Q. How is this organized?—A. Under the Ontario Joint Stock Companies Act.

By Mr. Smith (Nanaimo):

Q. What relation has that to this Bill?—A. The clauses you put into the Bill will carry out in effect just the same method that is in operation with this company and also with the companies I referred to in Scotland.

7 EDWARD VII., A. 1907

Mr. MONK—Oh, no, sir. You must remember that under the Joint Stock Companies Act under which that company is organized, they take capital from everywhere and they sell to anybody. The object of this Bill is to limit the dealings to members of the association themselves.

The WITNESS.—That makes it all the worse, Mr. Monk, because it is not co-operative. If a man has got no money and cannot buy stock in one of your proposed co-operative companies he cannot get any goods in that store on credit. We as retail merchants are giving credit where credit is required. If a poor man comes into a town and that man has got no money but an honest reputation and he goes to any grocer, butcher, or baker and explains his position, we are not asking that that man should go before a committee, a co-operative committee. We don't say, 'Have you got any money invested here?' No, we open up our stores and our shops and we say to that man: 'If you are an honest man we will carry you for a week, two weeks, three weeks or four weeks.' If it had not been for the retail merchants of this country, 10 per cent of the population would starve. You are introducing a Bill under which nobody can get credit. You are going to destroy the retail interest of this country by the creation of a system which has been in operation in Scotland. I do not care whether the technicalities of the Scottish Bill are precisely similar to the technicalities of this Bill; I claim these co-operative stores have been destroying the retail stores of Scotland.

By Mr. Smith (Nanaimo):

Q. Have the stores in Scotland increased or decreased?—A. Decreased—certainly they have decreased. We have got the evidence here with the names of the people, merchants and consumers—people who never had any interest in the co-operative stores but they have simply been there and made their purchases. I can bring before you practical evidence of people who have been operating in these stores who have had their money invested in them, as well as shopkeepers all objecting to this method of conducting business.

Q. In the old country?—A. In Edinburgh, in Scotland. It is under the British flag and we have a right to refer to these places.

Mr. MONK.—This Bill will not prevent working men from going to the retail stores.

The WITNESS.—But you are going to destroy us and then these people will say: 'You can take all the credit if you like; we will take all the cash.' This is simply a selfish scheme, you will excuse me putting it so strong, of a few promoters who want to get at the head of the company and the objection I have to the whole business is this: they are inducing the common people who know nothing about trade and commerce to invest their money in these societies, claiming they are going to get advantages that cannot be got in the retail trade and they are putting people at the head who do not understand at all what they are doing.

By Mr. Smith (Nanaimo):

Q. Who are these people, distinct and separate from others that you are talking about? You are talking about two classes of people. You are talking about a class of poor people and then of some other people who are compelling those poor people to put their money in?—A. The promoters of the co-operative companies.

Q. There are no promoters?—A. We have got one right here, there is a promoter in Canada.

Q. There is no promoter.—A. There must be a promoter in that company. This is an incorporated company and I can give you the names of the directors.

Mr. SMITH (Nanaimo).—Is this gentleman here to make speeches or to give evidence and answer questions?

The CHAIRMAN—Confine yourself to answering questions.

APPENDIX No. 3

By Mr. Smith (Nanaimo):

Q. You have objections to this Bill, why not state them. We are not here to listen to speeches and lectures. State your objections and give us an opportunity to question you when you are through.—A. I think I am doing that. I started out by stating the objections we had to the Bill.

Q. But you are making speeches?—A. I will not if you do not shut off the evidence I have secured from the places where the co-operative stores are in operation. I cannot give you any evidence of the operation of these stores in Canada, because I am thankful to say we have not had them here yet.

Q. Have you been in Scotland?—A. I have not.

Q. Have you seen these stores in operation?—A. No.

Q. Just what I thought. It would be better if you would tell us what you would know about these societies from your own knowledge.—A. I have got letters and other information that has been sent to me.

Mr. SMITH (Nanaimo).—Go ahead and give your evidence.

The CHAIRMAN.—You are under a misapprehension as regards anybody promoting this Bill. This is a public Bill, not a private Bill.

The WITNESS.—I mean the promoters of the co-operative societies. I am not referring to any particular individual. Please understand that I was referring to the promoters of those societies. Supposing there are, say nine or twelve of us in this room and we put our money into a society of this kind. There must be a head to it.

Mr. SMITH (Nanaimo).—We are the heads according to the Bill.

The WITNESS.—There are a number of men selected to direct it out of the hundreds of members. Those are the men that are going to get some benefit.

Mr. SMITH (Nanaimo).—Those are the men that are going to do the business.

The WITNESS.—Well, those are the men that are going to do the promoting.

Mr. SMITH (Nanaimo).—They are all in one body, there is no specific class that is getting a benefit.

The WITNESS.—The promoters would be getting salaries.

By Mr. Verville :

Q. You, as merchants employ managers?—A. Yes.

Q. Of course you pay them to do your work?—A. Yes.

Q. You would not call your manager a promoter, would you?—A. You could hardly call such men proprietors of a co-operative store; they would be the directors of it. I call them promoters, but probably that is not the right word; directors might be better or managers.

Q. The members would have as much right, under this Bill, against those that are at the head as you would have against your employees?—A. The only difference would be that the managers would be paid a salary.

Q. You are paid a salary also as a merchant?—A. Yes.

Q. You take a salary out of your business?—A. Yes.

Q. And do you not claim that that is any crime?—A. No, I do not say it is a crime, only if I were manager or director of a joint stock company and getting a salary, I would be more anxious to see that concern go on than if I were simply an ordinary shareholder.

Q. In other words you do not like to see other people taking care of their own business, that is as far as the consumers are concerned? As I understand, the retail dealers would like to get all the advantage among themselves?—A. No, we do not quite do that.

Mr. VERVILLE.—The labouring people under this Act want to do their own business if they can. There is no harm in that.

Mr. MONK.—I think much of your objection to this Bill arises from a misapprehension. You are under the impression that this Bill creates a great co-operative

7 EDWARD VII., A. 1907

store stretching all over the country and injuring legitimate retail traders. It is, on the contrary, a permissive Bill that permits in localities only and locally only labouring men—poor people and the agricultural classes—to organize for the purpose of buying agricultural produce or selling it, or in the case of poorer men organizing together to buy the necessities of life, only locally?

The WITNESS.—That is how I understand it.

Mr. MONK.—It is not the gigantic concern you seem to think.

The WITNESS.—The difficulty is, you have no control of the size that this thing may get to.

Mr. MONK.—It cannot go beyond the limits assigned in the Bill, which probably will be an electoral division only. It cannot have branches anywhere. I really think your objection addresses itself to a large concern, probably to large departmental stores or something of that kind. This is quite a different thing.

The WITNESS.—Would it make any difference in its results? Supposing you take a small town and you open a co-operative store in that town. There are say a dozen merchants there now giving credit and serving the people—as they ought to serve them—because if they did not they would never get any customers. You open your little co-operative store within the electoral district. Then the consumers are offered,—if they put their money into it,—a rebate which will be coming to them at the end of six months or at the end of a year.

Mr. MONK.—I do not think that is contemplated by the Bill at all. The object of the measure is to enable people to get things at a moderate rate, but there is nothing as to a rebate or profits in the Bill.

The WITNESS.—Would the Bill prevent them from giving profits? I do not see anything in the Bill that would do so.

Mr. MONK.—It would not prevent them.

By Mr. Smith (Nanaimo):

Q. Would it be a source of objection if they do their own business to get profits?—A. Yes.

Q. Why?—A. For example, we people sitting at this table, unite together and say: 'Now, we are going to buy our goods from the manufacturer and divide up. We will buy them at wholesale prices and in half a dozen lots. We will each one of us take these goods, and we will get these middlemen out altogether,' because that is the object of the Bill; to destroy the middleman.

Q. Is that objectionable to the parties?—A. To those who are in business now?

Q. No, no. Let us get at the rights of these individuals. How long have you been in business in Quebec? You are in business in Quebec, are you not?—A. I live in Toronto, I have been 30 years in the retail business.

Q. Was there anybody else in the retail business when you began?—A. Yes.

Q. Did you think that by beginning business in Toronto you interfered at all with those that were in business before you?—A. I will just answer that in this way—

Q. I would like you to answer my question?—A. Under the present system, no.

Q. You had a perfect right to commence business in Toronto?—A. Yes.

Q. Nobody could have any objection to that?—A. No.

Q. Well, supposing twelve men in Toronto wanted to do what you thought you had a right to do? Would you not say they had a right?—A. Not if they went to the legislature and asked to be given special legislation.

Q. But they are not.—A. This Bill is special legislation.

Q. This is simply permissive legislation which permits these people to go and engage voluntarily in business?—A. This is special legislation.

Q. I am asking you.—A. They have the right to do that now.

Q. I am asking you if you think they have a right?—A. If they are going to buy

APPENDIX No. 3

those goods in quantities and buy them so as to destroy the retail man, I say they have no right.

Q. Then, what you mean to say is that twelve men have no right in this country to combine to purchase goods to supply their own necessities? Is that what you say?—

A. If they are going to injure the retail man I say they have not that right.

Q. Did you think you were injuring the retail man when you commenced to do business?—A. No, because I did my business in the same way that everybody else was doing it. I was not offering my goods at cost price.

Q. Let us look at this thing as a business proposition. There are people doing business in Toronto?—A. Yes.

Q. You go there and commence to do business also. There is then one more dealer who has to divide up the retail capital of that city. You do not think that there is any objection to your having a share of that capital?—A. No.

Q. Twelve months after, twelve other men come in, join together and say: 'We want to do exactly what Mr. Trowern is doing, exactly the same thing. That is, we want to operate a store and purchase and sell goods to the community. We are not going to compel anybody to come in and purchase our goods. We are going to place goods on the shelves and the people that pass by will be at liberty to come in and purchase.' Now if one man can do that, I want you to tell me why twelve men cannot do so? There is no compulsory legislation that compels people to buy from them as against you. There is no legislation that forces them out of your store into somebody else's?—

A. The objection is that the people get together for the purpose of buying the goods at wholesale prices and selling to themselves at wholesale prices.

Q. Well?—A. Under your system, or rather under the proposed Bill, there must be only two ways of doing it. One is that the twelve men meet together and buy their goods at wholesale prices and then sell the goods back again to themselves at the same prices or sell them at the retail prices. If they sell at the regular retail prices the profit must go to the twelve men and be divided among them. If that profit is handed to them again in the form of a dividend there is the objection that has been raised to the whole system in Scotland; you are giving that dividend to those men as a bait.

Q. Excuse me, I am not giving them anything. They are giving it to themselves, my friend?—A. They are giving it to themselves as a bait, and they are asking people on the outside who are not of the twelve, to take shares. I do not see anything in the Bill which is going to confine the scope to a certain number of people; it will include anyone who takes shares.

Mr. MONK.—You may be one of the twelve.

The WITNESS.—How are you going to get these people to take shares in the company? They say to them: 'If you will take shares in this company we will give you back, at the end of six months or a year, so much money. People have been induced to take shares in such a company on the understanding that they are to get this dividend or a trading stamp, for it is the same thing.

By Mr. Verville:

Q. Do you not give trading stamps now?—A. No, sir, we do not. The government very wisely wiped the thing out.

Q. You do not give trading stamps but in stores you offer inducements at the present time for people to go and purchase; you give them crockeryware or rocking chairs?—A. We object to the whole thing.

Q. You may object to the whole thing, but it is done just the same.—A. It is a premium, it is a bribe, and our association is on record against this practice; we refuse to deal with the manufacturers who offer those bribes.

Q. Nevertheless it is done?—A. Unfortunately when the Bill came into the House—and it is a wise thing on the part of the government, one of the best things the Liberal Government ever did was to put that Trading Stamp Bill on the statute book—they left out a clause, which they could not help themselves in doing, regarding the manu-

7 EDWARD VII., A. 1907

facturer. Now, that Act ought to cover the manufacturer the same as the retailer. If the retailer cannot give premiums why should the manufacturer? I may say, however, that the manufacturers have passed a resolution condemning the whole thing and they will ask the government to apply to them the same clause that is applied to the retailers. Therefore, when you speak of premiums and all that sort of thing you must look upon the respectable retail trade of this country as positively opposed to it from start to finish. The thing is wrong in principle.

By Mr. Smith (Nanaimo):

Q. What I was referring to is the right of twelve men to do what you think you have a right to do. Is that wrong in your opinion?—A. I think if those twelve men—I may be all wrong in this thing and you may be all wrong, but we are here for the purpose of getting information, some sort of evidence on the Bill—

Q. We are to hear to listen to your objections on this legislation.—A. If those twelve men started out with the object of creating a business and offering as an inducement to customers that if they put their money into it they will get some of it back, that I claim is a strong objection to the Bill.

Q. You think that for twelve men to come together in Toronto, put their capital there, and purchase goods and sell them to each other, is a wrong thing?—A. If they to induce others—

Q. What do you mean by inducing others?—A. We are not confined to your scheme of twelve men.

Q. You think that is a reasonable thing?—A. I think if they want to they can do it.

Q. Wait a moment now. Supposing another man comes along to-morrow and says: 'I want to join with you twelve men, and I will put up my share to purchase goods to supply my wants.' Will you give me any reason why certain men should not do that?—A. He has come in on the understanding that he is going to buy the goods they buy below retail prices and get something back at the end of six months. He has come in with the idea that he is going to buy these goods at a lower rate than they are sold for in the retail stores?

Q. Certainly, if he likes. He came in with the idea of joining the twelve to do his own business. You say that twelve men have the right to do that. Now I ask you if another twelve men came along and said: 'We think the principle is a correct one, we want to subscribe to the conducting of this association, and we will join with you to supply our wants;' do you think that is wrong?—A. I say if those men are getting back a certain dividend at the end of six months and that dividend is the inducement for taking them in—

Q. That is wrong?—A. That is injuring the retail trade, destroying the retail trade. I am here on behalf of the retail trade, and if they want to do that business let them go and do it and not ask the government to give them special legislation.

Q. They are not doing it?—A. Another argument is this: The twelve men you are speaking of now may not know anything of the various lines of trade; they may be operating in all classes of merchandise with no knowledge whatever of the business in which they are engaged. One of these men is called a treasurer and another a secretary, for they have various officers. If this Bill passes these men will do business in that way, and one of them may sell an article that is not as it is represented to be, through lack of knowledge, because it requires skill to run a retail business. He sells an article he has bought from some manufacturer that has been misrepresented to him. He has not the intelligence, not having devoted his time to business and having no knowledge of trading, to know whether the article he sells is right or wrong, and that is where we stand between the public and the manufacturers as a safeguard. Our reputation is at stake, our sign is over our doors, we have often dealt in the same article, and we know if it is not as it is represented to be. If we sell an article which is not such as represented you can put us in the police court. Under your Bill, if the

APPENDIX No. 3

president should sell an article that is not as it is represented, or if I am one of the shareholders and you have misrepresented the goods to me. I have got to take you to the Court of General Sessions and to the various courts of the land before I can convict you of having defrauded me. And then the government say: 'We cannot do anything with this concern, we cannot put them in gaol.' Here is an article that was sold in Toronto by a concern that doubtless consider they are very clever people. These are two fountain pens that are advertised and guaranteed to be fourteen carat, but they are only four carat. I had a case in the police court against a large firm in Toronto, the T. Eaton Company, and ultimately carried it to the Supreme Court at Ottawa, but only a small fine was imposed, whereas if I did that as a retail merchant I would be put in gaol.

Mr. MONK.—You are mistaken. This Bill does not change the criminal law; the same liability applies to everybody.—A. The criminal law is as I am explaining it and if that Bill goes through, you will require a specific clause inserted that the president and secretary of these co-operative societies should be held as responsible for the deeds of these societies as we are as retail merchants. Then if they sell goods that are not as represented we shall have a chance to put them in the police court.

By Mr. Smith (Nanaimo):

Q. The difference is this: As retail men you might have a proprietary interest in trying to deceive people.—A. Oh, no.

Q. Just let me finish. Retail merchants might have a proprietary interest in trying to give people less weight or trying to get some benefit. In a co-operative movement there is no such reason; they are selling to each other. The co-operative movement among our people eliminates the possibility of the very thing you spoke of. They have no interest, they are selling to each other, they are not making a profit out of it.—A. The evidence in the scheme is that the men are paid—if you will allow me to put that evidence in, I think it is material—the man in the co-operative concern who does the buying from the manufacturer has had paid over to him without the full knowledge of his confrères certain moneys for himself to divert trade into the co-operative channel, and if you desire letters on the subject I can show you any number where considerable discussion has taken place—in fact the question is up now before the directors and the shareholders of the society in Scotland—where these men have been charged with taking money from manufacturers.

Mr. SMITH (Nanaimo).—Perhaps so.

The WITNESS.—You are not going to bring peace on earth and good will towards all men through your scheme. You cannot make angels out of thieves through a co-operative Bill; but the individual merchant who puts his name over his door and keeps it there expecting that his son is going to take it over after him, who has got a stake in the community, he is the one who is injured by this Bill. I would like to have this thing changed in Canada. To-day you cannot touch the president and secretary of a corporation. They can commit all the frauds they like and you cannot do anything but just fine them.

Mr. MONK.—You are casting a grave slur on our law.

The WITNESS.—I have had the case in court and the then Attorney General of the province of Ontario, Hon. Mr. Gibson, when I approached him on this subject said, after turning up the statutes: 'I am quite surprised; we have not got that power.' I want to mention this to you, Mr. Monk, because we have had it up before the police magistrate in Toronto and we are going to ask the Government to have the Act amended so as to make the president and secretary of a corporation absolutely as responsible as an individual merchant.

Mr. MONK.—As Mr. Smith has pointed out, there would not be much inducement to co-operative societies to do as you fear because they are selling to themselves. But

7 EDWARD VII., A. 1907

under our criminal law whoever commits a criminal offence, whether the president of a society or a retail merchant, is equally liable: you know that. Nobody is exempt from the provisions of the criminal law.

The WITNESS.—Well, it is not so according to practical experience, because it cost our association \$4,000 to find it out. We took the Eaton Company of Toronto, who advertised silver-ware at \$12 which cost them \$3, with 5 per cent off, and guaranteed it was quadruple plate, before the police magistrate, and he said he had no jurisdiction. We brought the case to the other courts and travelled from one court to the other until finally it was heard down here at Ottawa. They were found guilty and finally the case came back again to Toronto and the firm was fined \$50: that was all.

Mr. MONK.—It could not happen under this law.

The WITNESS.—You have no provision under this Bill to stop it as far as selling to one another is concerned. Legislation is wanted to protect those who are going to put their money into these societies. Supposing I felt justified in joining such a society and I have no knowledge of clothing, jewellery, or any of the other lines of goods which are being sold, and I go into your store and buy one of your articles and you deceive me, have I any right under the Act to come back at you through the police court?

Mr. MONK.—You have the civil and criminal courts.

The WITNESS.—We have not that right now and we want it.

By Mr. Verville:

Q. Do you think that in the large stores the manager knows everything about the goods that he buys?—A. It is one of the weaknesses of the whole scheme that it gets away from the individual man. We found in our investigation in one of the stores in Toronto that they had an engine wiper from the Grand Trunk at the head of one of the silk departments, and we found that the jewellery department was managed by a man who had never served twenty-four hours in the jewellery business in his life. There they were selling goods that were marked for them to sell at a certain price or the manufacturer told them was a certain quality. These men might not think they were deceiving the public, but they were all the same, because they had no right to be there unless they possessed the necessary knowledge.

By Mr. Smith (Nanaimo):

Q. What institution is that?—A. The Eaton Company.

Q. Well, Eaton would be responsible for that?—A. You could do nothing in such a case. We had Mr. Eaton in the courts and placed a charge of fraud against him, and all he was fined was \$50, and none of the papers published it except the *Telegram*, which had a little skit explaining that the Eaton Company had been found guilty of a misdemeanour.

Q. What was Mr. Eaton's object in putting an engine wiper in that position?—

A. The business was so very large that it had got beyond his personal control, and unskilled men are, under this system of co-operative stores and departmental stores, chasing out the trained men, killing the trained men, and they have got to get any class of men they can pick up to take charge of these various departments.

Q. Whatever officials there are in the co-operative business are placed there by the members and subscribers of the society. If a co-operative society thought fit to take a carpenter and place him as manager of a grocery business, what objection have you, supposing they were prepared to put up the cost of management?—A. We should have a law so that we could put our fingers on that man and put him where he would not be likely to injure the public.

Q. There is nobody in this society wants to put their finger on anybody. Understand, they are all friends. It is a mutual society composed of people that have joined

APPENDIX No. 3

for the purpose of helping each other. You are speaking as a merchant who has a pecuniary interest in the operation of the business. In this case, everybody has the same interest. It is a mutual institution consisting of members who have voluntarily united with each other to purchase goods to supply their own wants. Where is the injustice?—

A. The argument you are putting forth is in favour of inducing a man who knows nothing about the scheme to go and put his money into it. We want to save that man. We want to save the public from being swindled. Because they are all friends, and they are going to be partners together is no reason or justification why they should be swindled.

Q. Do you not think the public whom you are trying to defend have some intelligence? Is there any principle operating under this Bill which will interfere with the liberty of these people to make inquiries?—A. You have here an offer to give 15 or 20 cents on the dollar.

Q. That is the very best reason why a poor man should join with another poor man, if he can get 15 or 20 cents on the dollar?—A. It is a deceptive thing. We do not make 15 or 20 cents on the dollar in the retail business.

Mr. VERVILLE.—You had better form a co-operative society then, if you don't make that much.

The WITNESS.—We are a co-operative society in the real sense of the word. All retail merchants are really a co-operative society.

Q. You offer an inducement to people to buy in your store by advertising through the paper or otherwise, goods that are sometimes lower than the market prices?—A. Yes, that is done.

Q. You want to induce people to go into your store and buy goods that may be lower, with the expectation of selling other goods at higher prices. That is a business proposition, and that is done every day. It so happens that poor people who have read your advertisement will go to the store to buy the advertised goods, and be told when they reach there: 'You are about fifteen minutes too late, there are no more of those goods to be sold this morning.' I suppose there were probably a dozen or half a dozen, as the case may be. There, you see, was the inducement. This is a business proposition, and it is done in Toronto or Montreal?—A. It is done by the large concerns.

The CHAIRMAN.—The more they advertise the more they get the people.

Mr. VERVILLE.—They draw people there by a certain inducement in order to try and sell them as much as possible, and not goods at reduced prices, but at high prices. This Bill would not operate like that. It would give a chance to the people interested to buy not at one man's prices, but at any prices they saw fit.

The WITNESS.—It looks that way on the surface, but it won't work out that way. The experience of consumers who have been in these co-operative societies, working exactly on the lines you have laid out, has been that they have not had the same assortment of goods, and not the same attention. Even though a dividend was given back to them, their experience has been that they could do better by taking advantage of the market price wherever it was offered in competition. Suppose I belong to a co-operative store and have my money sunk there and get a dividend back at the end of a certain time, if I did not have my money invested in that store I could go around and buy wherever I liked on the open market. I could go around and take advantage of all these advertisements you speak of; I would not be confined to a co-operative store. If you close out all the other stores the people will only have one place to go to, and the co-operative societies can put on any price they like.

Mr. VERVILLE.—I can trade through that association wherever I please.

The WITNESS.—If everybody who had money invested would draw their shares out, the society would simply go to pieces.

By Mr. Verville:

Q. Well, what then?—A. That wants to be safe-guarded against. You say you

7 EDWARD VII., A. 1907

are confining your Bill just to certain limits. Well, if a man belonging to a co-operative society gets a job in another place he has to sell those shares out.

By Mr. Smith (Nanaimo):

Q. He is not compelled to enter the store; it is a voluntary act on his part?—A. Of course it is, but we want to look after the man who goes in, and we want to see that he can get out again.

Q. You are acting in the interest of members of a co-operative society?—A. In the interest of the general public, because they are the people about whom we are most concerned, and they are our customers.

Q. If the general public you speak of can co-operate to do their own business instead of doing it with the retail merchant, can you see any objection to that?—A. I think, Mr. Smith, your scheme is a little narrower than mine is. We are working under a co-operative system now—manufacturers, wholesalers and retailers.

Q. You say you are working on a co-operative basis now?—A. The proper co-operative basis; the only co-operative basis.

Q. Has the general public that enters your store anything to say about the management of your business?—A. Well, as to that—

Q. Answer the question. Have they anything to say about the management of your business? Can they go in and say to you, 'I think that John Brown is a very incapable man; you ought to discharge him and put somebody else in his place?'—A. They are better off than that.

Q. Answer the question. Have they that power?—A. Certainly they have not.

Q. Have they anything to do with the management at all?—A. All they have to do is if they don't want to deal with us they are perfectly at liberty to deal with whom they like. All society is based naturally on the natural and true co-operative plan, and the co-operation and other schemes brought forward by socialists and others are simply schemes that are not following out the natural laws.

By Mr. Verville:

Q. What do you say in regard to socialism? Is there any socialism in this Bill; you had better read it?—A. I have read it. It tends in that direction.

Q. Do you mean to say if you give these people the right to buy where they please it is tending towards socialism?—A. We are selling, as retail merchants, to people who cannot buy goods in the co-operative stores. The co-operative stores will not sell them, but they come to us for credit and we give it.

Mr. SMITH (Nanaimo).—If the co-operative people have to come to you, I do not see what you are breaking your heart about.

The WITNESS.—Your scheme is only going to re-act on the farmer and the labouring man if you follow it out to its radical conclusion. This will mean that when other stores are crowded out in a community, there will be only one left for the farmer to sell his products to, and that the co-operative store. They can then give him any price they like. That has been the experience in Scotland.

By Mr. Smith (Nanaimo):

Q. That is all due to the voluntary action of the people of Scotland. Nobody forced that condition of things. That is all due absolutely to the voluntary action of the people themselves. Surely if the people themselves have no objection to the system how are you going to help it?—A. You are passing special legislation to permit these people to do it. That is what we are objecting to—to the destroying of us.

Q. I asked you before if you had a right to go into Toronto and do a retail business at a time when others are engaged in it?—A. Yes.

Q. You admitted you had a right?—A. Oh, yes.

APPENDIX No. 3

Q. Have twelve men not got the right to do the same business? You said yes?—
A. I did not ask for special legislation. I went there and opened up my store. You are asking special legislation and we are objecting to it.

Q. You went in under the authority of the municipal by-laws?—A. Yes.

Q. So do these twelve people?—A. You are asking for more than that.

Q. Excuse me, this legislation simply provides for the voluntary incorporation of people?—A. Without having to buy a charter, without having to come under the Joint Stock Companies Act. Why don't they get a charter and come under the Joint Stock Companies Act?

Q. I understood you were objecting to the operation of the Joint Stock Companies Act; I thought your strong objection was to that?—A. Oh no, we don't object. If your twelve people want to get a charter out and do business the same as other people, we don't object. I don't think it would be wise. You are asking for special legislation other than that which comes under the Joint Stock Companies Act, and we don't think the government should give it to you.

Mr. VERVILLE.—Under this Bill the societies are all placed under the same rules and regulations, while on the other hand you can run your business to suit yourself. Each and every one will have to conform to the rules and regulations and be under the supervision of the Labour Department; that is better.

The WITNESS.—And they are going to offer that as an inducement. See what they publish in this advertisement of the Canadian Co-operative Concern: 'Endorsed by Prof. H. H. Dean, Professor of Dairying, Ontario Agricultural College, Guelph; Hon. A. Desjardins, President Co-operative Bank, Lévis, Quebec, and 2,000 prominent shareholders in Wentworth.' They advertise that, and they will advertise that this thing is under government supervision, and the people will put their money into it. We have had co-operative schemes in Toronto and the experience has been a failure right along.

By Mr. Smith (Nanaimo):

Q. What are you afraid of, if that is so?—A. We are not afraid if you will do business in the ordinary way, but when you come along and ask for special legislation—

Q. There is no special privilege?—A. The whole Bill is a special privilege.

Q. It simply allows them to co-operate in order to do business as they want to?—

A. Let them get a joint stock company's charter, and that will make the president and secretary responsible in the police court. I do not see why you should incorporate such a society at all, why it should be relieved from liability.

Mr. MONK.—Your objection is to the big departmental stores?

The WITNESS.—I am simply stating that you want people to buy your goods and then divide up your profits among yourselves, and that by so doing you are going to injure the man who has invested his money in shops, invested in buildings, invested in industries—a man who is living there at all times for the convenience of the public. You are going to destroy that man, and you are going to induce people to come into your societies on the ground that they are going to get something back, which is a premium or bribe.

Mr. MONK.—They have this co-operative system in England and on the continent, and the stores do not suffer.

The WITNESS.—I would like to read the letters to which I have referred. These letters all through show that the co-operative system is injuring the trade of Scotland, and they have been publicly reported in the *Weekly Scotsman*, in January, 1907.

Mr. SMITH (Nanaimo).—Those are retail dealers' letters?

The WITNESS.—The letters were published in the *Scotsman*. That paper opened its columns to both sides of the story; we have those that are favourable to the system and those against.

Mr. SMITH (Nanaimo).—I have been in Scotland and I lived in England for over thirty years, and I have been connected with the co-operative societies movement all my life; I never spent a single sovereign, until I came to this country, outside of the co-operative movement. So I ought to know something about it?

The WITNESS.—Yes.

By Mr. Smith (Nanaimo):

Q. If this thing is injurious, as you say it is in Scotland, how do you explain that the movement is increasing by thousands every year all over the British Isles?—

A. I understand that they are decreasing in Scotland now.

Q. You understand that because you do not know anything about it. Have you read the records?—A. That newspaper goes into it and takes up the evidence, and that evidence is presented in proper form, and under its own name, and I had that evidence submitted to me.

Mr. SMITH (Nanaimo).—It is very simple: there are people in Scotland that object, as you are objecting, to the co-operative movement. Columns of that newspaper are open to them, and those people write exactly what you are saying to the committee. They take exactly the same position as you take in reference to this Bill.

The WITNESS.—There must be something in it that makes those people write these letters. It is either right or wrong, and if it is wrong, the principle of this Bill is wrong.

By Mr. Smith (Nanaimo):

Q. The people in England, Scotland, Ireland and Wales who are operating on this principle are increasing year after year. This is a voluntary movement, there is nothing compulsory, and they realize that by a combination of individuals they can do business cheaper and better. Under the circumstances, the people in England do not think that they have any right to step in and stop a process like that. If such is the case over there, why should we not have that same voluntary privilege in Canada?—A. If they get a charter, but they should not have special privileges, as this Bill will give them.

Q. These twelve men come together, they register and they get a certificate of registration, and they obtain the right to come together and sell goods, just as you would get a municipal privilege in Toronto?—A. They can do that here now, can they not? But you want to legalize them.

Mr. MONK.—Continuing what Mr. Smith says, the only object of this Bill is to make that privilege inexpensive to the people and not require them to go to Parliament and expend large sums of money, which would be unjust in view of their limited means. I really think your objection is addressed to the large departmental stores.

The WITNESS.—No, Mr. Monk, I am addressing myself right to this system, and I have all the evidence in front of me to show that in Scotland these stores have injured the retail trade. In consequence, hundreds of respectable men are compelled to come out to Canada. Instead of it being a scheme for the poor man, as you talk about, those that have money put their money into it, and they are reaping the reward, and the poor man, who is forced to get credit has to come and do business with the single-line merchant.

By Mr. Smith (Nanaimo):

Q. Do you mean to say the members of co-operative societies in Scotland are not poor men?—A. Yes.

Mr. SMITH (Nanaimo).—That is an extraordinary statement.

APPENDIX No. 3

Mr. W. C. ELLIS (Ottawa).—Mr. Monk has just mentioned what, to my mind, is the whole point of the objection I would take to this Bill: if the retail merchant, or any other merchant, wholesaler, or anybody else, wants to form a company, he has to pay for a charter in order to do so. These people are asking for the privilege without paying for it. That is where the unfair competition comes in. The poor retailer in the city has been living here and paying his taxes in order to do business. He has been paying clerks and paying taxes, and he has been an advantage to the city. And now the people themselves, who have been the retailer's customers, we will say, want to reap the little profits that he has been making. They want to get together, but they don't want to pay the couple of hundred dollars necessary to get a charter. But if that merchant wanted to start a company, he would have to get a charter. That is the whole thing; that is unfair to the retailer.

By Mr. Monk:

Q. That is your objection?—A. That is my objection; it is unfair to the retailer. Surely he has some standing in the community. He has never made any fortune. To-day the retail trade is making as little money as any class. Under your proposed Bill you grant them the powers of a company, you enable them to get rebates for the money they put in, and they can turn out so many retailers. You grant them everything, but the retailer is thrown down.

By the Chairman:

Q. Is that your chief objection to the Bill?—A. That is my chief objection.

Mr. TROWERN.—A point has been stated here which I think ought to be met. Mr. Smith has made the statement about these stores being of so much good to the people and doing so well. Now, I have here the evidence, obtained from reliable merchants, where there has been a comparison of goods that have been purchased in these stores on the one hand, and goods purchased in the ordinary stores on the other hand. The customers who have done that have found that they get better prices in single line stores than in co-operative stores.

By the Chairman:

Q. In other words you claim that the retail merchants sell better and cheaper goods than do the co-operative stores?—A. Just as cheap and cheaper, for the co-operative stores have to give their dividend.

The CHAIRMAN.—Mr. Beaudry, will you state briefly your objections to the Bill?

Mr. BEAUDRY (Montreal).—I do not want to take up too much of your time, which is valuable, but I desire to state two or three facts. The economical problem of to-day is going to be affected by this Bill, and that is why we object to it. The great problem in business to-day is this: quality, quantity and price have to be considered. No man in any transaction can ignore these considerations. We sell so much goods of such a quality at such a price. Under this Bill you say to the consumer: 'You are going to have the right to form a co-operative society, to buy your goods direct from the source of supply, and distribute those goods among yourselves and do away with the middleman's profit.' This is the whole purpose of this Bill, as I understand it. It also goes a little further. You give them at the same time the right to establish their own banking

system. This is another feature of the Bill to enable to do their own banking among themselves. Now, in the preamble, in the main argument we might say, it is stated that this Bill is for the poor man. Well, if this Bill is really for the improvement of the conditions of the poor man he is out of it, because in the first place the poor man has to put money into the society. To-day the man who wants to go into business must have some capital, and to go into this society he must have capital. So the statement that the Bill is for the poor man must be put to one side until it is proved to be really the case. To get any benefit from the society one must be a member, and to be a member one must invest capital in it, and, therefore, this Bill is not for the poor.

Mr. SMITH (Nanaimo).—It is a very small amount.

The WITNESS.—I quite agree with you, but the principle is there. What you want to do is to reverse the system of distribution of goods which is in existence to-day, under which system we have the manufacturer who is working in building up the country, and we have also the wholesaler and the retailer. Well, if you can produce any evidence that goods can be distributed to-day in Canada at less cost than through the wholesaler and the retailer, I will be in favour of the Bill. This has been tried before, and there is no way to distribute goods cheaper than through the wholesaler and retailer.

By Mr. Verville:

Q. What would be the effect of the banking feature on the retail stores?—**A.** I am speaking on behalf of the retailer, and I wish to make this statement: that the retailer has never done, and I hope never will do, anything that will be against the interests of the public. In the first place he cannot do it, even if he wanted to. Therefore, I do not say that the banking privilege granted by this Act will hurt the retail men. I simply say this: The present Canadian banks have a good reputation throughout Canada and foreign countries, and if you allow small men in these societies who have had no experience in banking business to carry on such business, and if they are not successful and if they fail, such a result will discredit the good banking organization that Canada now has.

By Mr. Smith (Nanaimo):

Q. Whose loss is that?—**A.** It would be the people's loss. It would be said that the Banking Act is not good in Canada, and this would reflect on the whole country.

Q. It has nothing to do with the general practice?—**A.** That is why it should not be permitted.

Q. If people want to put their money in a bank what objection can there be? If twenty men come with \$50 of savings and say: 'We do not want to put this into an ordinary bank but into the bank of this society,' what objection can there be?—**A.** Because these societies are not regulated according to the Banking Act. There are no securities, no inspection. Why, in the preamble of this Bill it is stated that the purpose is to promote the interest of the labouring and farming classes. Now, we ought to be on a position of equality in this country, and what is good for one man ought to be good for another. If it is good for the farming and labouring classes to organize in this way, it ought to be good for the retail merchant.

Mr. SMITH (Nanaimo).—If other retail merchants want to come together and co-operate under this Bill, they can do just the same as any other class.

The WITNESS.—Yes: for distribution of goods, but not for farming purposes or anything else. As to the statements which have been made by Mr. Trowern, I have had experience of them and know them to be true.

By Mr. Smith (Nanaimo):

Q. What is true?—**A.** That the officers of a corporation are not at present criminally responsible for the action of a company. That has been tested in the courts.

Q. But this is not a company?—**A.** It will be a company when it is organized.

APPENDIX No. 3

Mr. MONK.—If it were a company its president and its other officers are subject to the same liabilities as the president and other officers of every other incorporated company, criminally and civilly; there are no exceptions.

The WITNESS.—Those who are incorporated have special privileges already. They have more privileges than individuals. Those who will organize under the provisions of this Bill will have the same special privileges.

Mr. MONK.—That applies to all incorporated companies, but there are no exemptions.

The WITNESS.—There is no difference between the liabilities of the officers of incorporated companies and that of the officers of these societies. That is why we must object to any further rights being granted to these organizations. Because we have one bad thing in existence at present we should not encourage it; all should be equal in this country. That is the stand the retail merchants have always taken; we want to be treated all alike.

By Mr. Smith (Nanaimo):

Q. If the retail merchants have the right to sell goods and the public themselves are granted the same rights, is that not putting them in a position of equality?—A. Certainly. But that is not the effect of this Bill.

Q. That is the whole question. You say you want everybody to be treated alike. Well now, if the retail merchants have the right to come together and sell goods to the public and the public, or a section of the public, say, 'We want to be allowed to purchase goods and sell them,' have they not the right to do so?—A. Yes; but according to this Bill they want that right by means of special legislation, by avoiding personal responsibility.

Mr. MONK.—It is simply permissive. They are permitted to form themselves into a corporation.

The WITNESS.—Well, it is permissive legislation to obtain special privileges.

Mr. SMITH (Nanaimo).—All the retail merchants can do the same thing.

The WITNESS.—It takes a company of men to do it.

The CHAIRMAN.—It is a co-operative movement, not an individual co-operation.

The WITNESS.—One man cannot make a co-operation.

The CHAIRMAN.—If there are only two they can co-operate under the Bill.

The WITNESS.—No, it takes twelve men. There are no twelve men who can go and buy from the manufacturers all they need. Therefore, when you say you want to give that right to twelve men, you are placing them in an exceptional position. Others who form companies have to pay from \$200 to \$600, whereas the twelve men who have been spoken of by way of illustration escaped that payment.

Mr. VERVILLE.—Supposing you have a country village, there may be only twelve farmers there, and they could all form themselves into a co-operative society.

The WITNESS.—They could have their own store to-day if they wanted to, but their individual responsibility would not be limited. Then it was stated that this co-operative organization when it is formed would have the right to sell only to its own members. Is that right?

Mr. MONK.—That is right; otherwise your objection would have no force. It would have more force if these co-operative societies could go out and sell over the whole country. The real question, as put by Mr. Smith, is whether they have that right to act among themselves.

Mr. TROWERN.—It is one of the weaknesses of the scheme.

Mr. MONK.—I think your objection is a formidable one against the big departmental stores.

7 EDWARD VII., A. 1907

Mr. TROWERN.—We have got that trouble now, and we do not want any more. This is going to give us more trouble; one trouble is enough.

Mr. BEAUDRY.—If you want to refer to other countries, I am ready to give you information. Evidently it is not the intention of this committee that we should bring evidence from other countries.

Mr. SMITH (Nanaimo).—The movement in other countries has been a great success, and the members are increasing by thousands and tens of thousands.

Mr. TROWERN.—We claim it is not a success. I thought the committee would give us an opportunity of placing that evidence before them before they took any action.

Mr. BEAUDRY.—If a provision were inserted in the Bill that no misrepresentation of merchandise could be indulged in, that would have a far-reaching effect. It would build up this country more than anything else.

Mr. TROWERN.—And we should also make corporations responsible under the law, the same as individuals are now held responsible.

Mr. BEAUDRY.—Quality, price and quantity, these are the three principles to be considered. There should be an enactment making misrepresentation in regard to these things a criminal offence. You will not build this country up much by co-operative societies.

Mr. SMITH (Nanaimo).—You cannot do it by law.

Mr. TROWERN.—You should do it by good laws; it is done in other countries.

Mr. W. L. MACKENZIE KING, C.M.G., called and examined.

By Mr. Monk:

Q. Mr. King, you have been for several years Deputy Minister of the Department of Labour, have you not?—A. Yes.

Q. Previous to your assuming that position, had you made a special study of economics?—A. Yes.

Q. Have you had occasion to examine the Bill which is now under the consideration of the committee?—A. Yes.

Q. Will you give the committee your opinion in regard to the advantages that might result from the operations of this Bill?—A. Perhaps I can give that information best. Mr. Monk, by referring to some experience I have had in connection with co-operation, and to the study I have given the subject.

Q. Yes, sir?—A. I might say that the first time I took up this question of co-operation was at the University of Toronto, as an under-graduate, in connection with the work of political economy at the University. We were obliged to study the co-operative movement in the different countries. Subsequently I spent some time in post-graduate study at the University of Chicago and also at Harvard University, and particularly at Harvard, I gave additional study to the subject of co-operation. Then I spent a year in Europe studying industrial conditions and at that time went rather carefully into the question of the co-operative movement in England and slightly on the Continent. As far as economic studies go, I would say, I gathered distinctly the impression that most of the best known economists have strongly favoured the co-operative movement. Men like John Stuart Mill, who are known to be strong individualists, and men not given to favouring schemes that are not thoroughly well understood have endorsed it most strongly and heartily; in fact, I think John Stuart Mill looked more to the co-operative movement for the great betterment of the working classes than any other single movement he could see at the time. Some reference was made in evidence given this morning to Mr. Ruskin and Mr. Carlyle as to what they would think of a movement of this sort. I think probably the co-operative movement has had no stronger supporters than it has found in both those gentlemen. I think careful perusal of their books will show that. Leading economists of to-day, both in England

APPENDIX No. 3

and the United States, men who have not at heart the interests of one class of society as against the other, but who look impartially upon economic affairs, are, I think, pretty well one in the favour with which they view co-operative movement as a movement exceptionally beneficial from the point of view of educating the mass of people, from the point of view of enabling the mass of people to improve their own condition, and from the point of view of the general betterment and welfare of the people of a country.

I spoke of Harvard University. At that University, I was a member of two co-operative societies. There are a great many students who attend Harvard who have not any considerable means. They are anxious to get a college education and they are obliged to save and economize in as many ways as possible. One method which has been adopted by the students in their endeavours to economize, in their efforts to take the full advantage of the University with such means as they have at their disposal, has been to form co-operative societies for the purpose of purchasing supplies necessary for them at college, and also for the purpose of providing themselves with meals, for they have a co-operative dining association as well. I will speak first of what is known as the Harvard Co-operative Association. It was formed some twenty years ago, I think, and the arrangement is this: the student pays \$2.50 to become a member of this co-operative society. He then goes to the offices of the society and purchases such commodities as he may require. If he furnishes his own room, he will purchase the furniture required, also blankets, fuel, and other necessary articles. Books and stationery required for the class room he will purchase from the co-operative society. The students elect their officers to manage these societies. The society conducts its business just as any retail store would. The only difference is this: As I have said the student pays \$2.50 to become a member; that is simply to help to meet expenses. Then the profits of the society at the end of the year instead of going to one man are divided up among the students in accordance with the purchases they have made. If a man has bought so many dollars' worth of books and other articles, he receives back a certain percentage in accordance with the amount he has purchased.

In connection with the dining association, the students get together and arrange with one or two of their number to act as managers or a board of directors. These men are paid for their services, this payment helps them to go on with their college work. Then some of the students act even as waiters and they are also paid for their services as waiters. At the end of the year the profits of the concern are divided among the men who have been members of the club. A record is kept of every purchase that is made. A man pays a cent for butter, five cents for meat, and three cents for potatoes and so on. Each day, at the end of the meal his order slips are signed by the waiter—handed in at the office, and retained there, and at the end of the year the total amount of his purchases are added up and the profits instead of going to some landlady in the community are returned in part to himself.

It is perfectly natural to expect there will be objections to the co-operative movement by middlemen. Perhaps I might say at this point, after listening to the evidence given this morning by Mr. Trowern, that it seems to me perfectly natural to expect that anybody who is representing what is virtually a combine of retail merchants should be opposed to any movement that might have a tendency to check the possible effects of such a combine. Mr. Trowern's argument, it seems to me, reduced to its logical conclusion would prevent any man from having a kitchen garden or from keeping a cow, and would prevent a woman from doing her own house-work. Because his statement is simply one strong argument in favour of retaining the middleman at any cost. The co-operative movement aims at doing away with the middleman. It might as well be stated frankly that it has this as an aim or rather the substitution for him wherever possible of a co-operative society in which men who are contributing towards the purchase of commodities may also share in the profits. I know in my own experience at Harvard that having the opportunity of being a member of the co-

7 EDWARD VII., A. 1907

perative association and of getting all books and other necessities from the co-operative stores, I was enabled to save a considerable sum and to this extent to take an advantage of opportunities there which I might not otherwise have been able to do. And I know that what has been my experience has been the experience of a great number of men at the University. What is true of the co-operative movement as applied to a body of students at a University, is equally true of co-operation as applied to a group of working men or to the people in any community.

By Mr. Monk:

Q. Did that custom obtain at the University of Toronto?—A. No, I think not. I think they have not such a club. I might say that I think a similar society started here in Ottawa would be a god-send to the members of the civil service. I think if every man in the civil service became a member of a co-operative society and purchased his coal and clothing and other necessities through that society, he would find that his income, the purchasing value of his income, would be increased by 10 or 15 per cent. And men living on limited incomes, I think, could look for a good deal in the way of improving their condition by becoming members of such a society and helping to further a movement of this kind. I have here a volume, one of the publications of the American Economic Association, dealing with co-operation in New England. It is by Edward W. Bemis. I think it well to mention it as it has a reference to the Harvard Co-operative Society, and to a similar society at Yale; it states that the students have also similar societies at the University of Michigan and at the Massachusetts Institute of Technology.

By the Chairman:

Q. Those universities have a very large number of students?—A. Yes, some of them have. Harvard has 4,000, I think. The Massachusetts Institute of Technology has not that number. I do not think it is as large an institution as either McGill or the University of Toronto. The publication to which I referred a moment ago has also a reference to other co-operative undertakings—co-operative stores, productive co-operation and credit co-operation—in New England. That state being the most conservative in the American Union, I think the experience of the movement there would be of value to this committee.

By Mr. Monk:

Q. Will you leave that publication with the committee?—A. Yes, with pleasure. (Book filed as *exhibit No. 6.*)

The WITNESS.—I stated that when in England I looked into this movement off and on at different times, and this morning before coming to this committee it occurred to me that I might have in the journal, or diary, which I kept during my trip in Europe, some reference to the co-operative movement. I did not have much time to look through it, but I came across this reference, dated London, February 6, 1900:

‘Went at eleven to the Wholesale Co-operative Society’s establishment and was shown over their buildings. First went through the tea factory—about 300 employees. The conditions were splendid; lots of light and air space, clean, regulated hours and good wages.’

Then I have a reference to the use of machinery:

‘Next went through the coffee and chocolate factory, then the ham, bacon and groceries, and finally the tailoring. Here the work is kept up all the year round. Good rooms, bright and clean and not too crowded. No work given out except in pressing season.

‘Had dinner in the hall, along with buyers from the southern section. Talked with Deans and Benjamin Jones. The former stated co-operation did not succeed in London because of the too great competition of the cheap sellers; the latter because of the nature of the people, who preferred cheap goods and poor articles.

APPENDIX No. 3

‘I think the co-operative movement an excellent thing, very beneficial to the working people who join it.’

By Mr. Smith (Nanaimo):

Q. That was the Productive Wholesale Society?—A. That was the Productive Wholesale Society. I was going to say a word or two in this connection of the system of co-operation in England. I think it has been pretty well explained that the movement there had its beginning with these distributive societies, which were of the nature of the Harvard Co-operative Association. Afterward the movement extended to the wholesale productive co-operative associations. The banking feature came last in England as a means of furthering the large wholesale work. The point that I would like to direct attention to, however, in view of what has been said this morning, is the objection, or rather the reason alleged by two of the great co-operators in England as to the failure of the productive movement to make great headway in London—the great competition of the cheap sellers. Now, undoubtedly the movement has this feature about it: that inasmuch as it is conducted by persons who are interested in all stages of it, the quality of the goods and the welfare of the workers is likely to be a first consideration, and the result is that men purchasing from co-operative societies are likely to get a class of goods and a kind of commodity which will be better in quality than what may be obtained at other shops under the ordinary competitive system. The danger, therefore, of the co-operative movement really injuring the retail trade is very much minimized in view of this fact. The retail trade has the opportunity always of putting any class of commodities before the people, while under the co-operative movement, particularly where productive co-operation prevails, the method of manufacture is on the best scale, having reference to the welfare of employees from the point of view of health, wages and such like, and it is, therefore, probable that in a good many cases the price of an article may be a little bit higher than it would be in the case of commodities made up indiscriminately under the competitive system.

When I was in the old country last fall in connection with some work of the Department of Labour, I had in mind the possibility of this Bill coming up before the committee of the House, and it occurred to me, in passing one of these co-operative society stores, that it might be well, to drop in and find out the working conditions of the store on the spot. I was going along one of the streets in Glasgow, and noticed the St. Rollox Co-operative Society store. It was a store where one could purchase groceries or meats of any kind. I went in and asked the man in charge if he would give me a little information with regard to the store and its workings. He gave me, after some verbal explanations, this statement, which is short. I will read it, as it explains the working of a co-operative distributive store. This will illustrate, in regard to the distributive side anyway, the benefit which the people can get from a society of this kind. These are the instructions to new members joining the society:—

‘St. Rollox Co-operative Society, Limited.

‘Instructions to New Members joining Society.

‘Persons wishing to join the society can call at any of our grocery shops and obtain an application form, and sign same, declaring his (or her) willingness to conform to the rules of the society, and to take up at least five shares, value £1 each share.

‘Entry money of 6d. is charged to cover cost of rule book, share book, &c., after which he (or she) is entitled to all the privileges of membership.

‘Pass book is supplied to each member for the purposes of keeping a record of their purchases. This pass book must be handed in at each quarterly stock-taking, to be added up, and total credited to the member.

‘Share capital can either be paid in full or in part, or made up by deduction of 5s. from dividend earned each quarter.

‘At the end of each quarter (notice of which will be published in each shop), the stocks are taken, the books balanced, the accounts audited by a chartered accountant;

7 EDWARD VII., A. 1907

and whatever amount of net profit has been made is apportioned as dividends, at so much per £ on each member's purchases.

The dividend thus apportioned is added to the member's capital, and may be withdrawn, unless (as before stated) where the capital is not paid up, 5s. per quarter is retained.

New members, not having lodged any share capital, must pay cash for all goods. Members lodging share capital can get credit to the extent of 75 per cent on amount lodged, and which is apportioned as follows: 50 per cent to grocery and coal; 20 per cent to fleshing, and 5 per cent to dairy.

Members desiring further information may drop a note to Registered Office, 121 Kennedy street, when our general manager will be very pleased to wait on them at your residence.

All applications for share or loan capital to be made in writing, and addressed to the committee, giving full name and address, as well as share book number, and must be lodged at the Registered Office, 121 Kennedy street, not later than 6 p.m. on Mondays; and, if approved of and in accordance with rule 29, payment will be made at 10 a.m. on the Wednesday following. Applications received after Monday will not be considered until the following week.

‘By Order of Committee.’

The manager informed me that the dividend which the members of this society had received on their purchases at the end of the year had amounted to 2s. 1d. on their purchases per £. To begin with, any person can become a member of the society upon paying 6d. and taking some shares. At the end of the year when the dividends were made up for every £, the purchase prices being practically the same as they would be elsewhere, a dividend was returned to the members of 2s. 1d. Then in addition to that there was a dividend of 5 per cent paid on the shares, and on loans a dividend of $4\frac{1}{2}$ per cent. The form of application for admission to membership is as follows:—

‘St. Rollox Co-operative Society, Limited.

‘Form for Admission to Membership.

Gentlemen.—I hereby make application to become a member of the above society, and I agree to conform to the rules and regulations thereof. Given under my hand this the.....day of.....190 .

‘Branch..... Name in full.....

‘Shares..... Residing at.....

‘Loans..... Occupation.....

‘Salesman's signature.....

Note.—Full christian name must be given. In the case of widows their own christian name should be given and not the name of deceased husband, such as Mrs. John, &c., &c.’

Each member is given a little card of membership, which he is obliged to present every time he makes a purchase, and when the purchase is made a record is kept just as I have stated was done at Harvard. The membership card is in the following form:—

‘ST. ROLLOX CO-OPERATIVE SOCIETY, LTD.

Registered Address, 8 NORTH OSWALD STREET.

Climax Check Office.

Member's Name.....

Address.....

Ledger No.....

INSTRUCTIONS.

This Card or Purchase Book, must be produced and put into the Counter Box at each time of making a purchase at any of our shops. The member must see that the

APPENDIX No. 3

number *written* on the Check they get from the Salesman agrees exactly with the Letter Number as above. File your Checks carefully, add them weekly; and at the end of the Quarter see that the total amount corresponds with the amount on Coupon you get from the Office. If there is any difference, bring the Coupon and the Checks to the Office to have them compared. Do not destroy your Checks until the dividend has been drawn. Any member withdrawing their Shares in full must return this Card along with their Ledger to the Office.'

Now in this country, in Canada, reference has been made to some co-operative experiments, and perhaps for the convenience of the Committee, I might put on record the following references in the *Labour Gazette* to 'Co-operation in Canada':

Among Fishermen, vol. I., p. 350.

Among Dairymen, vol. II., p. 28.

Among Atlantic Fishermen, vol. III., p. 680.

Co-operative Association at Guelph, vol. IV., p. 908.

Among Coal Miners at Fernie, Michel and Morissey, vol. IV., p. 1000.

Co-operative Savings and Credit Societies in Canada, vol. V., p. 980.

Co-operative Stores in Cape Breton, vol. V., p. 1300.

Victoria Board of Trade, resolution *re* co-operative storing of fish, vol. V., p. 714.

Co-operative Bakery at Vancouver, vol. V., p. 602.

Co-operative Apple Packing, vol. VI., p. 654.

See also, vol. V., p. 933, and vol VII. (July), p. 9.

Guelph Co-operative Association, 1906 Report, vol. VII., p. 834.

Legislation *re* Co-operation, vol. VII., p. 508 (Nov.)

By Mr. Monk:

Q. Are all those references contained in one number of the *Labour Gazette*?—A. No, sir, they are scattered through six years. We have at different times as the co-operative societies came to our notice, made a reference to them, and this is a list of the pages of the *Gazette* where the references are to be found should there be a desire on the part of any member of the Committee to refer to them.

Mr. TROWERN.—As Mr. King has placed on the records one side of the story with reference to the St. Rollox Co-operative Society, Ltd., I have letters from a customer of that Society, who gives his name and address, giving his experience in dealing with that store, and I would like to have permission to put those in order to give the other side of the story. Will the Committee permit me to do so?

The CHAIRMAN.—Yes.

(Subsequently Mr. Trowern put in two documents which were marked as Exhibits No. 9 and No. 10.)

The Committee adjourned.

HOUSE OF COMMONS, ROOM 30,

Tuesday, March 12, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met here this day at 10.30 a.m., Hon. Rodolphe Lemieux, chairman, presiding.

The examination of Mr. W. L. Mackenzie King resumed.

By the Chairman:

Q. Mr. King, will you please resume your evidence?—A. When we concluded the

other day I was speaking about co-operation in Canada, and I was about to draw the attention of the committee to this little publication 'The Canadian Co-operator' (publication produced and marked Exhibit No. 7). It has been published during the last two years in Canada, but I was not aware whether it had come to the notice of the committee. There are references in it to the co-operative movement throughout the Dominion, and to the advantages of co-operation. We have, in the Department of Labour, a complete file of this publication.

Q. Is it still being published?—A. Yes, it is being issued monthly. If the committee wish to have the file I shall be pleased to place it where it may be available. We would like to have it back in the department later on. There is an opinion in this work 'The Empire and the Century,' by Prof. Robertson, the head of the Macdonald Agricultural College, that I think would be of interest to the committee as to what the co-operative movement has done in the case of one or two industries in Canada. I have marked the statement to which I refer, at page 388, and will read it. Prof. Robertson, in speaking of Canadian agriculture, says:—

'The province of Prince Edward Island is adapted for dairying through butter and cheese factories, but that business was going backward for want of information and education. In the year 1892, with the assistance of money given by the Dominion government, one co-operative cheese factory was started at New Perth, in Prince Edward Island. The machinery was lent by the government. An instructor was sent to organize the business and to arrange the locality into routes for the convenience of those supplying milk. The factory was managed as a government dairy station, as an object-lesson for the education of the people in co-operative dairying. In the autumn of 1892 I took the liberty of exporting to London \$3,600 worth of cheese manufactured at that station, and I can recall the remonstrances of some of the people against risking their cheese in any steamer. I got fault-finding letters asking me why I did not sell the cheese at home, or in Halifax, Nova Scotia. The cheese was delivered in England and was sold there for the top market price. Some of it, indeed, sold for sixpence per hundred weight more. I angled for that sixpence, and I got it. Then, when the Island people knew that they had got sixpence per hundredweight more for their cheese than was paid for any other Canadian cheese sold that day in London, it put new faith, hope, and courage into them. That was the beginning of the export of cheese from Prince Edward Island, to the value of \$3,600. At the taking of the census in 1891, the four cheese factories in Prince Edward Island were put in the returns as having an output valued at \$566,824. There is an instance of the result of organization and education. There had been no increase in the number of acres of land occupied, and but little increase in the number of cows kept. The change had been in the quality of the intelligent labour applied to the conditions. The people now run their own factories, and have repaid to the government every dollar that was lent to them. There is no part of agriculture that is not susceptible to the same kind of improvement.'

Elsewhere Professor Robertson says:

'The people of the province of Quebec were generally supposed to be far behind those of Ontario in education and co-operation as applied to dairying and agriculture generally. The returns in the census of 1901 revealed some of the results of the educational campaign. Ontario made great progress, but Quebec made much more. The following table is indicative in part of what was accomplished:—

'Value of product from co-operative butter and cheese factories as returned in the two census years 1901 and 1891.

	Ontario.	Quebec.
Value in 1900.	\$14,706,303	\$12,261,898
Value in 1890.	7,569,338	2,918,527
Increase.	\$7,136,965	\$9,343,371

'The development of this industry, which has increased the desire and capacity of the rural populations to co-operate in other ways, is traceable directly to education

APPENDIX No. 3

and guidance towards organization. I believe that similar means would be equally effective in the whole range of agriculture, from the cultivation of the soil to the preparation and shipping of products to ultimate markets.'

Now, from an authority like Prof. Robertson, that opinion it seems to me is of special value. It would go to indicate that as the co-operative movement has made headway the general business of the community has been increased; instead, therefore, of the co-operative movement coming into competition and rivalry with some other method of trade it would appear that if successful, as it has been in these cases, the probability is that trade generally would receive such a stimulus that business in other directions would be greatly assisted thereby.

I have here a letter from Mr. A. McMullan of Old Bridgeport, C.B. This has to do with the co-operative movement among the miners in Cape Breton. We have in the Department of Labour been gathering information for some time, from different points and Mr. McMullan seems to understand the movement in Cape Breton better than anyone there. He has very kindly, in answer to the department, given some detailed statements of the movement among the miners; the reasons of its failures in the past and the probable success of the movement in the future. As throwing light upon what has been the cause of failures of the movement in some cases and what may be hoped from it if carried on carefully, I think his letter would be of interest to the committee (reads):

OLD BRIDGEPORT, C.B., December 5, 1906.

W. L. MACKENZIE KING,
Deputy Minister of Labour,
Ottawa.

DEAR SIR,—Your favour of 17th ultimo was duly received, but pressure of work prevented me from giving it the careful reply it demands with the promptness I would like.

In tracing the history of the co-operative movement in Cape Breton, it will first be necessary to note the complete failure of this movement as first organized here. I admit that to one who is struggling to revive it, this is not a pleasant task. But as these failures have their important lessons, we must look them in the face, and if possible avoid the mistakes of the past. I shall first then give you a list of the past failures.

1st. The Sydney Mines Provident Society, Ltd., Sydney Mines, C.B., was started in 1863, (not 1873 as I must have stated in my last in mistake) failed 1905. This is a contemporary of the Union Store at Stellarton, N.S., Jas. Mitchell, manager. The knowledge of the workings of these societies was brought from England to Stellarton and Sydney Mines by miners from England. The Sydney Mines Society did for many years a flourishing and profitable business, as the Stellarton Store is still doing. The omission of making provision out of their profits for a reserve fund, the withdrawal of capital from the business, and inability to adapt themselves to changing conditions, brought them into difficulties and on the top of these difficulties their stock and their store was burnt.

2nd. The Britannic Co-operative Society, Sydney Mines, started about 1873. This was in opposition to the older society. The mine officials were the chief movers in this undertaking. They failed to take the patronage of the workmen from the other store and in about three years their business went to the wall.

3rd. The International Co-operative Store Lt., Bridgeport, C.B., was organized in 1885, dissolved in 1898. The influence of the P.W.A. in bringing the workmen of the International Colliery together, and the sympathy of the company's agent, together with the help and enthusiasm of the Colliery manager, Mr. John Johnston, now of Sydney Mines, gave the first impetus to this society. But for the reasons I stated in my last, no reserve fund, withdrawal of capital, necessitated by the removal of members to other localities, and changing conditions in connection with the collieries, forced them to mortgage the property, pay the liabilities and dissolve. A. Johnston, M.P. for Cape Breton, was manager at the time of dissolution.

7 EDWARD VII., A. 1907

4th. The Reserve Co-operative Store Co. Ltd., Reserve Mines, C.B., commenced business 1887, failed 1895. Did a good and profitable business. Benefited many of the workmen. No reserve fund, slackness of work for two successive winters, and continued rumours of the closing of the colliery, the withdrawal of capital by members removing to other localities, and a change in the management of the store necessitated by the death of the former manager, can be cited as the cause of this failure.

6th. The Morien Mutual, Port Morien, started 1888. Failed, 1895. Organized in opposition to the Cow Bay Co-operative Store Co., was from the first but an ordinary joint stock company. Reckless credit and reckless buying ruined them. Finally the manager disappeared and the business went into the hands of the sheriff. No reserve fund.

7th. The Victoria Co-operative Store Co., Victoria Mines C.B., started 1889 ; failed 1895. Failed because the colliery was closed by the D. C. Co.

8th. The Little Glace Bay Co-operative Store Co. started 1887, failed 1894. This business got beyond its depth at the very outset through imprudent buying, and although they struggled through seven years, mutual confidence, so indispensable to co-operation, was never restored. No reserve fund, withdrawal of capital, indiscreet credit and lack of ability to adapt themselves to fast changing conditions, brought them under.

9. The Old Bridgeport Co-operative Store Co., started 1895, was burnt out a few months after and never re-organized. No reserve fund.

10. The Workman's Store Co. Reserve Mines, started 1902 ; failed 1904. Lack of business capacity on the part of the manager, made this business impossible from the very start.

Now, sir, I think you can appreciate the faith and courage of the 36 men who undertook to undo this record failure by venturing upon a demonstration of the fact that co-operation can be made a success. Indeed all of them were connected with one or other of the previous stores. Our president, M. J. Haley, can show by his pass-book that his connection with the International Co-operative Store in ten years from an investment of \$28.63 was worth to him in cash, \$556.99.

You have already in brief the story of our business. I may now add that for the three months ending November 30, our business was \$13,830.87.

The Sydney Co-operative Society, Ltd., E. M. Wherry, manager, started 1904, was one of the outcomes of the Sydney strike. It is doing a business of about \$1,600 a month, has 76 members, is greatly handicapped for lack of capital and the constant removal of members to other localities ; reserve found 10 per cent of profit.

The Glace Bay Co-operative Society, Ltd., was organized the present year strictly on British lines. Their business for November was \$5,300. They absorbed The Mechanics' Store Co., H. A. McMullan, manager. Reserve 10 per cent of profits and all admission fees.

The British Canadian Co-operative Society, Ltd., of Sydney Mines, started the present year. This society is composed nearly altogether of old country co-operatives. Very few of the members of the old store have so far identified themselves with them. They are adopting old country methods altogether. While all the other societies allow credit to the amount of $\frac{1}{3}$ of the capital, this society gives absolutely no credit even to their members. They now have a membership of 78, and are doing a good business. M. Bell is manager.

The Broughton Co-operative Society, Ltd., never started business. About the time they thought of organizing, work at the new colliery was suspended.

At Stewiack, N.S., the farmers have a union for the distributing of farm produce. This union has existed for a number of years, but I have not the names of any of its officials.

About five years ago the farmers of Elmsdale, Hants county, N.S., organized a similar business, together with a consumers' store. This business, I understand, is doing well. Write James Kenty, Elmsdale.

APPENDIX No. 3

I have had considerable correspondence with the Rev. Samuel F. Wilson, North-east Morgan, C.B., regarding the organization of business along the lines of the Elmsdale business, there. In his last letter he informed me they were about taking steps in that direction. I have endeavoured to give Mr. Wilson some knowledge of the Denmark Agricultural Co-operation, and I have no doubt but if they get started he will give the business that direction.

I am glad to furnish the department with the foregoing information. If there are any points I have overlooked or failed to make clear, kindly consider me still at your service

Yours truly,

(Sgd.) A. M. McMULLAN.

P.S.—The Amherst Co-operative Store is in its initial stage. Its membership is 70. It is run on the principle of the British co-operative stores. The store is well patronized. H. R. Keith, manager.

I think that letter is instructive as containing points that should be noted in any legislation furthering the co-operative movement. Reference frequently occurring to the failure to provide reserve funds and such like is a matter which shows, of course, the necessity of watching that point in connection with any society starting business under a Dominion Act.

Mr. McMullan refers to the Sydney Co-operative Store having been started as an outcome of the Sydney strike. Perhaps the committee will permit me to say just a word or two in regard to that store, as it indicates wherein the co-operative movement has a bearing upon the labour question in reference to the possible conflicts between labour and capital. I was looking into the cause of the trouble between the Steel Company and its employees at Sydney prior to the time at which this store was started. Mr. Wherry, who is referred to there, was a leader of the men on strike. It was perfectly apparent from the conditions, that the men could not hope to get any great increase in wages. The strike, it seems, was brought on at a time when the cost of living there was high and when the men, from the wages they were receiving, could not enjoy comforts to any extent. I made a suggestion to them—to the company and to the men—that the difficulty might in part be met were an effort made in a co-operative direction; the company assisting the men in getting coal at a reduced rate, the men starting a store whereby they could purchase some necessities themselves, and instead of all the profits going to dealers, they would be able to make a small saving on their purchases. They seemed to think that the idea was a good one and wrote for information. The department sent some books on co-operation, and Mr. Wherry has since written me that the society has been doing, although on a limited scale, good work and has been really the means of helping the workingmen to appreciate the difficulties of the capitalist, as well as a means of enabling them to meet some of the difficulties with which they had to contend themselves. There is that great feature, it seems to me, in connection with co-operation which makes it specially important in considering the relations of labour and capital. It teaches the working classes something of the responsibilities of capital, the risks that capital has to take; it familiarizes them with matters of trade, the kind of management that is required, the kind of skill that is necessary to enable business to be carried on profitably and satisfactorily; it teaches them the possibility of the losses of stock through fire, and the like, and also the difficulty of retaining customers. In every way it is as educational as it is possible for a movement to be, and naturally, when workingmen come subsequently to deal with an employer and he begins to explain matters of this kind to them, they have an intelligent appreciation of what he is endeavouring to convey.

I think in that way the movement is decidedly helpful as a means of solving industrial conflicts, and of course, where the movement is carried out on any great scale and the men themselves are shareholders in the industry, the reason for striking is entirely removed: they have to face the question of profits, and they look at the

7 EDWARD VII., A. 1907

two things in relation to each other. In that way the co-operative movement certainly is a strong factor towards solving the vexed problem of industrial strife.

I have here two or three reports. I will not read them, but I will turn them in to the committee, with the request that when the committee is through with them, they may be returned to the Department of Labour, so that we may have them for future reference. They are : the Report of the Workmen's Co-operative Store Company, Limited—evidently that is at Cape Breton—and the Glace Bay Co-operative Society, Limited. I will just read this one sentence from the report of the Workmen's Co-operative Store Company, Limited. (Reads):

'Brother Co-operators: We again submit for your approval the usual abstract and balance sheet for the half-year ending August 22nd, 1906. The sales for the term amount to \$24,356.57, an increase on the sales of the corresponding half of the past year of \$3,014.55. The net devisible profit, after paying all necessary expenses, amounts to \$282.33 to go to the reserve fund; \$244.21 to go to pay interest on members' capital; and \$2,262.53 to pay 10 per cent dividend on members' payments; leaving a balance of \$34.27 to be carried forward.'

By Mr. Monk:

Q. Is the 10 per cent paid upon the purchases of the parties?—A. That would mean payments on purchases. My object in reading it was to illustrate the many points of view workingmen would get in regard to business through having an association of this kind which they would probably never have had, had they not been brought into this direct relation with the employer's side of the question. Then here is the report of the British-Canadian Co-operative Society, Limited; also the Workingmen's Store Company, Limited, Dominion, Cape Breton—a small statement from them.

I have here some correspondence from Mr. O. R. Wallace, the correspondent of the *Labour Gazette* at Guelph, Ontario, in regard to a co-operative association which was formed there among workingmen, with a view to meeting what they thought were excessive prices being charged for bread. I think this correspondence is most interesting, as it shows particularly where workingmen can better their condition industrially through the co-operative movement, perhaps by taking up only one small phase of the question. On February 15, 1904, Mr. Wallace sent the following statement to the Department of Labour. (Reads):

'There is in process of formation in the city of Guelph a co-operative association of workmen known as the Guelph Co-operative Association, Limited, which has been formed under chap. 202 of the Revised Statutes of Ontario.'

Just in this connection I may point out that the objections which Mr. Trowern was urging the other day to this particular Bill might be urged with equal force to the co-operative legislation of all the provinces which have enacted such legislation because his objections were to co-operation generally. Of course the governments of the different provinces have shown sympathy with the movement by enacting laws under which the members of some of the existing societies are working. Unfortunately, however, the laws are not of a nature which permit the phase of the co-operative movement which possibly this committee is particularly interested in—namely the banking or credit aspect. 'The Association is formed with the license to carry on by wholesale or retail different labours, trades, and businesses on a co-operative basis, but for the present it is only intended to run a bakery business. The intention of the promoters is to follow the lines of similar bodies in the Old Country. The capital stock is being sold in an unlimited number of \$2 shares in small lots to persons who will, it is expected, be the chief customers of the Association and an effort is being made to have as large a number of shareholders as possible. Up to the present the incorporating of the Association, the election of the first board of trustees and a canvass by the board of trustees for stock has consisted of the work accomplished.

APPENDIX No. 3

'The causes that have led to the formation of this Association have been the dissatisfaction of the workmen at the rate and business dealings of the master bakers with the public. This dissatisfaction took the form in 1902 of a motion at a meeting of the Guelph H. L. Council to appoint a committee of inquiry into the local prices of bread and meat. The complaint was made that bread was sold at a higher price in Guelph than the same bread was sold at when shipped by stage and sold in surrounding country towns and villages. The committee in their report stated that this was a fact but suggested no remedy. In the spring of 1903 a further motion was carried drawing the attention of the Chief of Police to the fact that a by-law of the city of Guelph was being violated in that much bread was being sold under the regulation weight of 4 lbs. for a large loaf. The police had previous to this motion confiscated bread at different times for being short in weight. The master bakers at this stage went before the City Council and at their request the bread by-law was amended in that while the regulation weight of bread remained at 4 lbs. fancy bread could be sold in a 3 lb. loaf provided it was stamped with the weight. In the meantime the price had gone up from 10 cents to 12 cents for a 4 lb. loaf. An agreement for a trial of day work instead of night work made with the local Journeymen Bakers' Union was broken by the master bakers before its expiration. In the fall of 1903 a further motion on the bread question was introduced in the T. & L. Council which called for the appointment of a special investigating committee, on the claim that 12 cents was being charged for a 3 lb. loaf of bread which was in some cases little different from the regular bread except in shape and name. This committee reported that they could see no way of remedying these different grievances except by the starting of a bakery on the co-operative plan. The committee were given authority to consult a solicitor and on the question being asked as to what support could be got a vote was taken on how many would subscribe \$10 of capital stock, 31 of those present agreed to do so. This committee after consulting a solicitor asked for the appointment of additional members to make the strength of the committee seven, which seven men on the assurances of the support that they believed would come to them, were the original incorporators and the first Board of Trustees of the Guelph Co-operative Association Limited.'

Now, that explains the origin of the Guelph Co-operative Association. I have here, and will give to the committee, a statement of their rules and regulations, also a quarterly report and balance sheet, dated December 31, 1906. I will just read this statement from the report. The committee will remember the circumstance which brought the society into being, and in that connection the report, I think, will be interesting. (Reads):—

'It is with pleasure that we submit the 10th quarterly report of your society, being the last quarter of the current year. In so doing, we are pleased to report the largest profit of any quarter in the year by nearly \$200, the profits being \$767.57.

'In presenting the balance sheet, we would draw your attention to the assets of the association—invested in property, \$3,246; assets, realized value, \$3,723, making a total value of \$6,969.

'The trustees feel justified in writing off 2 per cent depreciation on property amounting to \$128.93, and 5 per cent off fixtures and equipment, amounting to \$88.35 making a total depreciation of \$217.28.

'The fixtures and equipment have been kept in good repair on expense account. We wish to draw your attention to your liabilities to shareholders, which amount to \$2,265.56, being less than a third of your assets.

'We would recommend, after paying 5 per cent interest on capital, which amounts to \$112.25, paying a dividend on purchases to shareholders of 10 per cent and non-shareholders 5 per cent on the \$1, which amounts to \$677.75; this, you will see, makes the price of bread to shareholders 10 cents per 3-pound loaf.

'We have carried out the shareholders' resolution, passed at the last quarterly meeting, by opening a grocery department in our new store, and would urge the shareholders to the necessity of purchasing their goods at their own store, as it will greatly

reduce the expense of selling; and we have no doubt we shall be able to give as large a dividend from the groceries as the bakery.'

That report simply means that a certain number of the workmen of Guelph, whose incomes are, in the nature of things, comparatively small, purchase bread at a store they themselves have started. They pay the same price at that store they would pay to another baker in the city, but they receive back 10 per cent at the end of the year on all the purchases of bread which they have made. They have invested a certain amount of money, and as a result they have the experience of understanding the difficulties with which a management have to contend in the carrying on of business, and they have the advantage of being drawn more intimately into association the one with the other, a feeling of brotherhood is developed in that way, and a more sympathetic understanding of the whole industrial business arrangement of the community. I have already taken up a great deal of the committee's time with these statements, but as they relate to little experiments that have been made in our own country, it seemed to me they were of particular interest.

Before concluding my evidence I would like to bring to the attention of the committee the work of Dr. Wilfred T. Grenfell among the deep-sea fishermen on the Labrador coast. If there is a place anywhere in this world where it would be difficult to help people, it would certainly be on the Labrador coast. If there is a place in the world where help is very greatly needed, it is there. The people are uneducated, they are removed from association with men in other parts of the country, they are in extreme poverty, and a large number of them are continually in debt. When Dr. Grenfell went among them as a medical missionary he very soon realized that before he would be of any service at all to them, either as a missionary or as a doctor, he would have to try and get them at least on a self-supporting basis, so that they would have something on which they could support their families. He told me that his great difficulty was combating the evil intentions of some of the traders. It was the policy of the traders who were getting fish from these men to keep them in debt perpetually, and it was Dr. Grenfell's policy to keep them out of debt if he possibly could and let them become self-supporting. Now, the means that he adopted towards that end was the introduction of co-operation among the fishermen, and I would read this statement from the 'Labour Gazette' of March, 1903, which illustrates how he went about that work. (Reads):

'When in Ottawa, Dr. Grenfell was a visitor at the Department of Labour, and while there consented to be interviewed in regard to the work which he has personally undertaken among the fishermen with a view to bettering their economic condition. This work, in its simplest form, has consisted in the establishment of four distributive co-operative stores, and an attempted productive co-operative mill. Three of these stores were established some three years ago, and the fourth one during the present winter. With regard to the origin of the plan, Dr. Grenfell stated that he advanced \$1,200 with which to start the system of co-operative stores as a measure on the whole best adapted to the alleviation of the more pressing difficulties of their situation. The intention was that this amount should subsequently be refunded and that so far as possible there should be substituted in its stead shares derived from the earnings of individual fishermen. The value of the shares was fixed at five dollars each, no limit being put upon the number of shares which any one individual might hold. At first only one dollar per share was paid, but interest was only allowed when the full amount had been subscribed. The men were also permitted to draw against their five dollars, and it sometimes happened that they would take it out and consequently have no share in the profits.

'The \$1,200 advanced by Dr. Grenfell was on the understanding that the fishermen would also subscribe a certain amount. At one meeting \$80 were thus obtained. As soon as the required sum was raised a bank account was opened with the Bank of Montreal, three of the men being required to sign a cheque when any money was to be paid out. The goods were sold for cash, the selling price being fixed generally by adding about ten per cent to the cost, though occasionally a little more was added on

APPENDIX No. 3

articles, such as tobacco, which were not considered necessities. Some losses were incurred at first, largely through lack of experience, but this has been corrected with time. One store began with \$800, and in six months had done \$4,000 worth of business. About one hundred families in all buy from these stores, and the system is one which commends itself generally. The manager of a store was at first paid 2½ per cent, and afterwards 5 per cent on the turn over. The store is only opened when the manager comes in from fishing, which constitutes his main occupation, or at certain times, when the people tell him what they are in need of.

‘The inducement that first led to the establishment of these stores was the fact that exorbitant charges were being made against the fishermen for the ordinary necessities of life, flour, for instance, being sold to them at \$7.50 per barrel, when it could be obtained at \$3.50 in larger commercial centres. The co-operative stores have accordingly brought about great reductions in prices, the saving effected in some cases being as much as 50 per cent. Salt, for instance, which before their establishment was sold for \$2.50 per barrel, is now sold for \$1.60, and on the French shore for \$1.50. The stores purchase all such commodities as are usually demanded by fishermen and their families, viz., salt, flour, molasses, pork, oilskin clothes and other similar necessities. The commodities are sold to the community generally, and at the end of the year the profits are divided in proportion to the number of shares held.

‘An important auxiliary in connection with the work of the stores is a co-operative schooner, known as the *Co-oprator*, of seventy-five tons, which carries the goods required for distribution. The vessel was built in Labrador. Dr. Grenfell providing the nails, hardware and sails, and the fishermen of the locality giving their labour during the winter season. Shares in the schooner were subsequently issued to Dr. Grenfell and to those who built it according to a previously arranged agreement. The profits of the ship are derived from freight charges paid by the various stores supplied, the five sailors who man the schooner being paid ordinary board and wages as regular employees. \$4,000 were spent for equipment repairing, wages and running expenses, and in the two years that have lapsed since the schooner was built, \$2,700 have been earned. In a couple more years it is expected the whole amount expended will have been returned. A schooner is being built this winter for the same service.

‘In order to keep the men occupied during the winter, when there was no fishing, a lumber mill had been erected, Dr. Grenfell having obtained from the Newfoundland government permission to cut timber on certain lands. The venture so far has not been very successful financially, owing to the inexperience of the men in the industry, and the use of English instead of American machinery. About 10,000 logs, however, were sawn last year, and, after certain improvements which are contemplated are made, the mill will probably do much better in the future.

The co-operative stores have, on the whole, been productive of much good. They have relieved the people from dependence on merchants who were accustomed to charge extravagant prices for their goods, and they have been the means of training the minds of those interested in their success by teaching them how to conduct small business undertakings. With cheaper goods the standard of living among the fishermen has also naturally been raised, as they are now enabled to buy more out of their earnings. The stores have thus been the means of helping the people to make a considerable advance in their mode of living, and the future progress and development of the movement will accordingly be watched with very general interest.’

The article with reference to Dr. Grenfell’s work was written in March, 1903. Since then I have had letters from Dr. Grenfell dealing with this subject. I may read the committee parts of one or two I have here. This is a letter dated St. Anthony, Newfoundland, May 15, 1906, which would be three years later.

‘I remember now, I waited to answer one of your letters as you asked for Co-operative news, and I had not any on hand just then. I started three stores on this side of the Straits of Belle Isle, as you know. The balance sheet of No. 1, the Breha store, I inclose you with their circular. I also inclose you the balance sheet of the

7 EDWARD VII., A. 1907

Flower's Cove store. The store at Englee, No. 3, I had to close, as the people were not making a living, and could not support any store; depending on Government relief and charity very largely. The mill, which affords them winter work, and a good fishery last year, has allowed them to get ahead a bit. I held a meeting there the other day, offering to make the store attached to the mill a co-operative store on the profit-sharing principle, viz., giving tickets for all purchases made, and sharing profits in proportion to business done. This, I hope, will become co-operative soon again. The two Labrador stores, I cannot tell you very much about. One is very small, there being no one of ability in the place to co-operate the others. The other is the first I started, and has done exceedingly well. They are building a new store of their own, ordering it all down from our mill. And it will go down in our schooner, which goes every year for their fish. I can't get their balance sheet till the ice lets me across.'

Then he says: 'I think of these things as sermons in stores (not stones).' Dr. Grenfell's idea is that these stores are sermons to the people. They teach them what association one with another, sharing each other's burdens, will do, and he looks upon that as the best possible means of conveying to them the Gospel, which it has been his main purpose to preach. (Continues reading):

'Their influence is far greater than the amount of business they do. They have reduced prices. You have only to go to them and you will hear, not so much that they are far below the traders now, but that the traders are far below what they used to be.'

'I do not want to boast of the stores. If any business man had the interest I have in them in his heart, and was methodical in his work for them, they would be ten times better. I am ashamed to think what they might be, compared with what they are, if I had been as keen about them and had been able to give as much time to them as I might, perhaps, have done.'

'We are building another schooner, two motor launches and a large barge on the mill this winter. Our method is, perhaps, unique. We wait until we find out how the people are off individually, and we first of all give a contract for so many logs to each in proportion to his needs. That is, enough to enable him at least not to want common food and the necessities of life. Then we give the balance of it (25,000 this winter) to those who wish to work.'

That is all he says in that letter on the subject of co-operation. I will now hand in a report of the co-operative store at Brehia. There is just this statement which I would like to read. (Reads):

'At the annual meeting, 1906, Dr. Grenfell was voted into the chair. Shareholders representing the majority of shares were present.'

'The store has had a very prosperous year, and is in a position to pay 10 per cent to its shareholders.'

'The accompanying statement will show the figures.'

'It was agreed at the meeting that 10 per cent was too much to pay merely for borrowing money for capital for the store. The store can get all the money that it needs at 5 per cent. And it does not intend, in future, ever to pay more than that on money borrowed. A five-dollar share, placed in the store when it commenced in 1900, is now worth \$7.37, and the store proposes to pay in future at a regular rate of 5 per cent compound interest on the capital it has borrowed. It proposes in future to divide the balance of its profits in proportion to the purchases made among the shareholders that deal with it. Any man holding one share in the store will receive back on every dollar he spends in the store as much as the profits made by the store, after paying the interest on the capital, will permit. In this way the store encourages men to become members. It also gives advantages to members, and it also saves the members being obliged to pay the absurd interest of 10 per cent to those who do not deal with the store, but only lend it money. The store would point out that the members who deal with the store are at present obliged to pay more for their goods, so as to pay a 10

APPENDIX No. 3

per cent interest to those who do not deal at all. This is unfair, and those who now deal with the store are determined to adopt this method, which is the one in use everywhere in England, so as to encourage the shareholders to deal with the store as well as to hold shares in it.

‘Signed on behalf of the shareholders present,

‘WILFRED GRENFELL,

‘HENRY DEANE, *Manager.*’

BREHA CO-OPERATIVE STORE.

Year ending 1906, April 23, 1906.

Liabilities.

Cash capital, including accrued profits for year.. . . .	\$1,393 36	
Accounts unpaid,—none.		
Old debt to agent	80 40	
Manager's percentage	101 57	
Carried to reserve	35 07	
		<hr/>
		\$1,610 40

Assets.

Stock in hand	\$400 00	
Cash in hand	230 00	
Paid off old debt to agent	80 40	
Cash in St. Johns.... .	900 00	
		<hr/>
		\$1,610 40

Business done for the year, \$4,063.75.

These figures were revised and audited by us.

WILFRID T. GRENFELL,
GEORGE A. A. JONES.

FLOWER'S COVE CO-OPERATIVE STORE.

Year ending 1905, Dec. 31.

Liabilities.

Cash capital.....	\$1,515 00	
Balance Interest due shareholders, 1904	48 02	
Reserve	54 72	
Accounts unpaid	767 14	
		<hr/>
		\$2,384 88
Profits accrued		245 94
		<hr/>
		\$2,630 82

Assets.

Stock on hand.. . . .	\$2,191 53	
Good accounts not collected.. . . .	439 29	
		<hr/>
		\$2,630 82
Business done for the year.. . . .		7,484 38
10 per cent on investment	153 90	
Landing goods	72 23	
Room hire 1½	113 25	
Manager's percentage	449 04	

7 EDWARD VII., A. 1907

		Due.
1902 Debt accrued..		1,952 43
1903 Paid on debt..	366 30	1,586 13
1904 do	755 70	830 43
1905 do	753 76	76 07

Dr. Grenfell will be in Ottawa this week. He is to speak to the Canadian Club on Friday night and at a general open meeting in the Russell Theatre on Sunday night. I should think, if I might be permitted to make the suggestion, it would be of interest to the committee to hear him on Monday morning. He can speak, I think, with zeal on the movement and its effect among the men whom he has been dealing with and his evidence in that connection will be of special value.

By Mr. Monk:

Q. Speaking generally, that phase of co-operation which has reference to credit and loan, or banking as it has been called—I think a little pompously—if safeguarded by proper legislative restrictions is it not a necessary complement to other forms of co-operation? That is, given what we have heard before in the committee as to the utility from every point of view of co-operation, do you not think that might be applied equally to that form of co-operation which is provided in the Bill and by which credit and loan is established, surrounded by the legislative safe-guards that the Bill gives?—A. I certainly do, Mr. Monk. I hesitated, in replying, because of the words ‘necessary complement,’ not understanding whether you meant by necessary that the one for of necessity must accompany the other, but if you mean by ‘necessary complement’ that it is of equal importance with the others as educative, and helpful and uplifting, I should certainly say it is.

By Mr. Verville:

Q. From your knowledge of the organized labour movement in different cities, for instance—I know you have good knowledge of the movement throughout Canada—and also your knowledge of the membership and the funds that might be raised from time to time, do you not think if such a scheme as is provided for by the Bill were passed, 500 of the labouring people in the city could start a bank for themselves?—A. That they could start a bank?

Q. Do you not think they could start a co-operative bank in any city?—A. They could start a co-operative society for the purpose of obtaining credits. I think the use of the word banking is a misnomer; it is rather a system of mutual credit based on knowledge and confidence.

Q. Take a large city of 300,000 population and more, do you not think they could establish that credit system, as you style it, in such a way as to help out their members?—A. I think unquestionably. A workingman—take, for example, in the building trades—may have an opportunity to do a particular piece of work, but he might find for the time being that he had not the necessary equipment, has not the tools, the trowels or whatever is required, the being able to get a loan sufficient for him to purchase the tools necessary for his occupation would be of very great service to him. I think it would be of service also in other ways. Opportunities come to men to purchase houses. The chance may come to-day and may never come again, and if a man is not able to get credit in some form he misses it altogether. The large banks will hardly recognize individuals who have not the very best kind of security to give them. On the other hand, one workingman may be known to other workingmen in the community, and they may have confidence in him and may be prepared to, and would gladly, assist him by a loan through the operation of one of these credit societies.

Q. That is a labour association, for instance, can as a body have a certain amount of money on the credit basis?—A. I think what would probably happen in a good many cities is that the men who had formed themselves together into trade unions, would very likely form similar associations for the purpose of mutual credit.

APPENDIX No. 3

By Mr. Smith (Nanaimo):

Q. What do you think is the sentiment among organized labour with regard to the question of co-operation in Canada?—A. I do not think organized labour in Canada has given a great deal of thought to the matter. I think the co-operative movement in certain parts of Canada—for example, in Cape Breton and out in your part of the country, Nanaimo, where there are men from the old country who have seen the movement in the country from which they came—might receive the endorsement of organized labour. In other centres, I think, where the labouring men are not familiar with co-operation, they have not really taken up the subject to any extent. The letter I read to the committee this morning in connection with the Guelph bakery shows that the Trades and Labour Council of Guelph, to whom the whole co-operative movement was something new, have become familiar with one of its phases, and, having adopted it, are pleased to carry it on.

Q. You know that in England and Scotland, where there are both trades organizations and co-operative societies, the latter movement has been very closely allied with trades unionism?—A. Quite so.

Q. Men in the trades union movement are leading in the co-operative movement?—A. That is what I meant when I said a moment ago, you would have the same body of men who had formed the trades and labour associations organizing into one of these credit associations for the purpose of assisting each other in that way. I think the trade union movement and the co-operative movement have been the two great movements of the past century for benefiting and bettering the condition of the working classes. I do not give that as an individual opinion merely; I base it on the authority of men who have given the subject the most careful consideration. Prof. Alfred Marshall for example, who has written perhaps the best book on political economy which has been published in the last ten years, speaks in the strongest terms of the co-operative and trade union movement as being a great movement for the betterment of the conditions of the working people.

By Mr. Verville:

Q. The credit and loan feature of the Bill could easily be established in cities?—A. Certainly. The Bill, I think, as I have read it, would permit of credit societies being formed.

Q. In all our large cities it is impossible for the working people to live in the central parts, because this place is required for manufacturing purposes; they have to go out into suburban districts. They would like to have their own dwellings, but the trouble is they cannot realize sufficient money. Under the Bill it will be possible for them to get money for this purpose, and it would be money loaned by their own fellow-workingmen. I live in a part of the city where the residents are all working people; there is nobody poor and nobody rich. They are often handicapped for the want of a little capital, and when they need money they have probably to rap at the door of some shaver. Once they get into the hands of the note shaver they have to stay there. This Bill would prevent all that?—A. I think the Bill would deal a blow at the usurer. I think it would cut into the heart of his practice, where he has been gaining his profits through taking advantage of the necessities of individuals who want to carry on legitimate work. I have no doubt, however, the usurer would still have a field for men who wanted to raise funds for improper purposes; but where money was required for legitimate business, particularly of the kind that you have mentioned, Mr. Verville, men wishing to build houses for themselves, they would be able to obtain credit from one another, simply because they were known.

Q. Taking a city like Montreal, one of the largest cities in Canada, you understand the strength of trade unionism in a country and the amount of money which labour men could put aside every year—they could easily raise annually \$25,000 if they desired—you must acknowledge that by co-operation they could put large sums aside

7 EDWARD VII., A. 1907

annually, and in a couple of years have a pretty good credit?—A. I am glad you mentioned that point, Mr. Verville, because it has always seemed to me that the solution of the industrial question in regard to strikes was going to be helped most by the working classes having their attention focussed on something other than a perpetual demand for an increase of wages. While this country is growing wages may continue to rise, but the time will be reached when we cannot hope to increase wages any more without putting the industries of this country at a disadvantage as compared with the industries of other countries. Now, if for a time the working classes can begin to focus their attention on the problem of how, with the wages they have, they can get more commodities, there will be less agitation, it seems to me, of a kind which leads to strikes, and at the same time there will be the possibility of their bettering their condition in an effective and genuine way. I think, just as you say, that the trade unions formed for the purpose of regulating the relations of the men with their employers would be a good nucleus for the purpose of getting the men together and of seeing what could be done by means of saving funds. The same body, formed into a credit society, would begin to direct its energies to this question of bettering the condition of the cost of living, and I am inclined to think that as the co-operative movement makes headway we will find industrial strife begin to diminish in proportion.

Q. Of course, if I receive \$1 a day, and it costs me 90 cents a day to live, or if I have \$5 a day and living costs me \$4.95, I am not any better off with the larger than with the smaller sum?—A. Quite so.

Q. Such a thing as you speak of would permit of the focussing of effort and means?—A. What the workingmen must strive for is to maintain, with the incomes which they have been able to get, as high a standard of comfort as possible. Now, it seems to me they can hope to improve that standard through a movement like the co-operative movement. They cannot hope to improve it in many cases through a continual agitation for higher wages, resulting in strikes and causing them to lose, in some individual cases, whatever little they have saved.

Mr. MONK—I would like to say, before Mr. King is discharged from further attendance, that I think the committee is very much indebted to him for his evidence. It was his duty to come here, but he has gone to the trouble of collecting some very valuable data as to the prospects of co-operation in our own country, and the result of the services, I think, will be of great use to us all. I feel confident, Mr. Chairman, that if this Bill becomes law, we have a very able and competent man to help to carry out its provisions.

Mr. KING—I thank you very much for your kind words, Mr. Monk. I would like to say I feel very much like apologizing to the committee for the hasty nature of my evidence, but I have been so busy of late that I had simply to pick up these few things, running through the department, as it were, and have not had time either to frame my thoughts or gather the material in the way I would like to have had it in presenting it to the committee.

Mr. VERVILLE—You do not need to apologize. I think the committee have found it very useful.

The committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 62,

TUESDAY, March 26, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at twelve o'clock noon, the Chairman, Hon. Rodolphe Lemieux, presiding.

APPENDIX No. 3

Mr. CHAIRMAN.—We have the good fortune this morning of having with us His Excellency the Governor General, who has been for so many years one of the apostles of co-operation in Europe. His Excellency is the president of the International Co-operative Alliance. We are gathering as much information as possible in order to provide for prudent and wise legislation on co-operation in this country, and it was the unanimous desire of the committee that having heard some of the best authorities in Canada on economics, and on the co-operative movement, His Excellency should be invited to give us his views on that question with which he is so familiar. The newspapers have stated that His Excellency was appearing before the committee to give evidence. That is a wrong impression ; His Excellency is doing us the honour of giving us the benefit and advantage of his views on a question with which he is most familiar.

I will proceed with a few questions that I have prepared. Your Excellency is the president of the International Co-operative Alliance ?

The GOVERNOR GENERAL.—Yes.

Q. Would your Excellency explain to the committee the nature and purpose of the International Co-operative Alliance ?

The GOVERNOR GENERAL.—The object of the International Co-operative Alliance is to make known to the civilized peoples of the world what are the methods and aims of co-operation ; to explain the principle and to point out the methods by which that principle can be applied to the industrial life of the people.

I have come here at your request, Mr. Lemieux, not in my capacity as Governor General of Canada, but as President of the International Co-operative Alliance, to give you the expression of my views for what they may be worth as to the advantage likely to accrue to the people of Canada from the legalization of co-operative associations for banking, industrial and agricultural purposes.

I do not propose to refer to the provisions of the Bill which is the subject of your consideration. The possibility that they contain matter which may prove to be of a controversial character when under discussion by parliament, makes it undesirable that I should do so, but having been informed that under the existing law in Canada co-operative associations of workmen have no legal status, I have come here in order to state that I am heartily in sympathy with the object of the Bill now before parliament, which I understand is to give to co-operative associations of workmen that legal status which is now wanting, and which it is most desirable should be secured in order to help workmen in their endeavours to help themselves.

When it was suggested that I might be able to give assistance to your committee, if I accepted your invitation, I visited Quebec for the purpose of inspecting the Caisse Populaire which Monsieur Desjardins has started at Lévis. I paid a visit in the early part of this month to Monsieur Desjardins' bank, and I have no hesitation in saying that if a new Act is required to facilitate the multiplication of banks like that which Monsieur Desjardins, to his great credit, has established, the sooner that Act is passed the better.

I formed the opinion, after careful examination of its work that the Lévis bank has already proved to be a great assistance to many, and it appeared to me to have this distinctive feature, that while it did much good it did no harm. The most that can be said of institutions, even the best, as a rule, is that the good resulting from them more than counterbalances the evil. In this case the influence which radiated from the institution seemed wholly good.

Let me refer to some of the advantages which appeared to me to result from it to the community of Lévis :

It supplies those persons who are known by the people among whom they live to be good, thrifty and honourable men, with opportunities for helping each other and themselves in a manner conducive to the growth of those qualities of mutual trust and helpfulness which lie at the very root of good citizenship.

I examined carefully the books of the association and I satisfied myself that the bank was being conducted on safe business lines. I traced the dealings with the bank of individuals whose names I selected at random from its list of shareholders. I ascertained that the first payment was a small contribution to the funds of the bank of 10 cents, and then followed in several cases small payments of about 25 cents at a time, until the sum of \$5 stood to the credit of the subscriber, when he became a qualified member or a shareholder in the bank to that amount.

In several instances I noticed that the members of the bank had borrowed small sums of \$25, \$20 and \$15, and that these advances had been repaid sometimes in small instalments, sometimes by single payment. The punctuality with which these small loans had been repaid proved that the existence of this bank had been of real use to the people of Lévis who were its members.

Further, the usefulness of the bank was demonstrated by the fact that over \$200,000 had been loaned in small amounts since it was established six years ago, and I was not surprised to learn that this bank, like the co-operative and agricultural banks in Germany, Austria, Hungary, Italy, France, Ireland and India, notwithstanding the large number of its transactions had not lost a single cent.

The soundness of these credit banks may appear strange at first sight to business men, but those who realize the golden truth that the average man would rather die than fail to loyally respond to a trust imposed in him, will not be surprised, and it must be remembered that the members of a co-operative bank like Monsieur Desjardins' bank at Lévis, are something higher than the average man. No man is allowed to borrow from the Lévis Bank unless he is a member, and no man can be a member unless he is voted unanimously by ballot to be a man worthy of being associated with the existing members of the bank. Thus, only men and women who are known by the common consent of the people among whom they live, to be straight, thrifty and honourable persons can hope for admission to the membership of Monsieur Desjardins' bank. Then, as an additional security against improper loss, after the members of the bank have secured by the fact of their membership this mark of popular confidence and esteem, it is impossible for anyone to obtain a loan unless the management is satisfied that in view of all the circumstances the loan is one which should be made.

Now, nobody who has any acquaintance with the life of the people can doubt that the establishment of a bank, formed on the basis of mutual knowledge and confidence for the mutual assistance of each other, must be of service not only to the members, but to the whole district in which they live. To those who are engaged in business come opportunities from time to time of making a cheap purchase if only the money with which to make the purchase is forthcoming, and the poorer they are the more important it is that they should have the power of seizing profitable opportunities.

The farmer, for instance, while he is waiting for his crop to ripen, wants money in order to make a cheap purchase which will help the farm, or it may frequently happen to those members who are not farmers that the ability to make a cash payment in the middle of the month will enable them to secure an advantage which will benefit the whole family, but which they would not be able to make without a loan, in view of the fact that their salary is not paid until the end of the month. Here comes in Monsieur Desjardins' bank. The member goes to the bank, explains the circumstances, obtains the loan, secures the advantage, and when he has sold his crop or received his salary he repays to the bank the loan he has borrowed from it. The bank has received in the interval a good interest, and the member has been able to secure the advantage of a good bargain.

The remarkable and most encouraging success which has followed the establishment of agricultural banks in continental Europe and in Ireland and in India, is attributed not only to the care with which the bank refuses to admit into its membership anyone whose honesty, thrift and general good character are not a matter of common repute, and to the rule which requires that every applicant for a loan must state what he proposes to do with the money, and the term for which it is required, and to

APPENDIX No. 3

the further rule which prohibits the making of a loan except for some profitable or productive purpose, or to effect some economy, but also to the security offered by the joint unlimited engagement of members of the bank to be responsible for its debts. This joint unlimited collective guarantee has been found to be an asset on which joint stock banks can safely loan.

A joint stock bank as a rule will not lend to an individual who has no security but his character to offer, but when a group of men known to be honest and thrifty and of good character, give their collective guarantee for the repayment of an advance, then experience has proved conclusively that a security is provided on which a bank can safely lend. The character of this security is shown by the fact that on the advances made to 2,169 Raiffeisen banks not one single cent has been lost.

Now, it is hardly for me to express an opinion upon the details of your Bill, but I would ask you to consider whether the provisions of the Bill as drafted are not, on this question of liability, undesirably narrow. Your Bill, by making a limited liability an essential condition, will prevent the establishment of banks of the Raiffeisen type, which have proved, as I have already stated, to be of the greatest benefit to the rural districts of Germany, Austria, Hungary, Italy, France, Ireland and India.

This is also the opinion of Mr. Henry Wolff, author of 'Peoples Banks,' 'Co-operative Banking,' &c., and chairman of the International Co-operative Alliance, to whom I forwarded last year a copy of the Bill. He has forwarded his criticisms of the Bill in the shape of a letter, which I understand he has communicated to the Canadian press. I have great pleasure in handing in a copy of that letter:



THE PROPOSED CO-OPERATIVE ACT.

SIR,—Will you kindly allow me, as one very familiar with the matter and very much interested in the introduction of co-operation, and specifically co-operative banking, into Canada, to pass a few criticisms on Bill No. 144, 1906, which is, I understand, to be brought once more before the Dominion parliament in the impending session with a view to its adoption. It would be a pity if you were, for want of having them pointed out to you, to fall into avoidable errors, when legislating on this subject.

There is nothing to be said against the general cast of the Bill. In some respects, it is an improvement upon our British Industrial and Provident Societies Act. But in others, it deviates from it to its prejudice.

Like all European states having legislation on the subject, which is in every instance to some extent borrowed from ourselves, we fix the minimum number of members permitted to form a society at seven, and the maximum holding of any one member not a society at £200. Why should you alter the figures severally to twelve and to £100 (\$500)? Most societies necessarily begin small, and it is desirable that even small beginnings should be encouraged. On the other hand, the object of such societies is to induce members to accumulate capital, and you seem to go very near defeating your own object in bidding them: be not saving overmuch. The category of bodies entitled to hold more ought, moreover, plainly to include co-operative societies, which the Bill excludes.

Next, the limitations of the area permissible to a society to an 'electoral division' appears to me, at a distance, of questionable expediency. I do not know what your electoral divisions are, but at any rate in the future their boundaries may conceivably very well cut through districts which are economically one. Why set up such unnecessary barrier? We have none in the United Kingdom. We have societies whose district penetrates into different counties. We have others which can be well conducted only in districts very much smaller than an electoral division, namely a parish. But then it is left to the rules to lay this down. Our Act leaves us free.

There is another point on which your Bill seems undesirably narrow. It appears particularly designed to facilitate the formation of co-operative banks. Nevertheless by its provisions making limited liability a *sine qua non*, and fixing the value of

shares at at least one dollar, it directly bars out one most useful and promising class of co-operative societies of this sort, namely, societies of the Raiffeisen system, which have proved an unmistakable benefit to rural districts in Germany, Austria, Hungary, Italy, France and other countries; in fact, all over the continent, where they exist by the thousand, as well as already in Ireland and in India, showing themselves perfectly safe and great promoters of thrift, and in which unlimited liability is indispensable and shares are often altogether dispensed with. We now have to form such societies under the Friendly Societies Act, because that alone permits unlimited liability. The Industrial and Provident Societies Act excludes it. But we find the inconvenience very great, because the Friendly Societies Act was really intended for a very different purpose. Why will you nevertheless place yourselves in the same embarrassment as ourselves? There is absolutely no reason why a co-operative Act should not permit both limited and unlimited liability, just as the Companies Act has a Table A and a Table B. The late Chief Registrar of Friendly Societies in this country, Sir E. Brabrook, is at one with us on this point.

I have nothing to say against the power which your Bill claims for inspection of societies, except that clause 15 (1) appears to withhold the right which clause 15 (3) explicitly confers upon the society, to appoint its own inspectors, and that nothing is said about the general inspector being pledged to secrecy with regard to deposits, which must necessarily be kept secret, or there will be no thrift. A passage providing for this might easily be inserted, and in clause 15 (1) the words 'or the rules' might be added after 'except as provided by this Act.'

There seems a contradiction also in the provisions of clauses 16 and 26 relating to general inspection, to be carried out on the application of members. Clause 16 gives the right of calling for such inspection to 'ten members.' Clause 26 to 'one-tenth of the whole number of members.'

There is much more to be said about the provision proposed in respect of compulsory winding up and the retirement of members. The Bill, in my opinion, quite unnecessarily introduces the subject of 'capital of the society,' and requires that upon such capital being reduced, for any reason, below the original amount (as well as upon the number of members dwindling below 12) the society is *ipso facto* to cease to exist. *Prima facie* this seems reasonable. But, in truth, it is not so, especially in view of the right given to members to retire, and—provided that there is a certain minimum amount of reserve fund accumulated—thereby instantly to wash their hands of all liabilities incurred at any moment. Even if there should be no reserve fund present of the amount specified, retiring members become liable for one year back (that is right enough) only in the event of the society being wound up. I do not see what business the mention of capital has at all in the registration of an industrial and provident society. It is in place in the registration of a joint stock company, which is a union of capitals. A co-operative society is a union of persons. Its capital necessarily must vary. As French legislation explicitly recognizes in dubbing it a '*société à capital variable*.' If accordingly a declaration is deemed absolutely necessary under schedule D, it ought to say not 'capital,' but 'present capital.' It is perfectly conceivable that a co-operative society may form with a comparatively large capital. I know societies that have done so, which might by retirements occasioned by a difference of opinion or from some other cause, come to be reduced, though still remaining sufficient for the society's purpose. Why compel such society to be wound up?

The persons above all others to be considered in this connection are those who have trusted the society with money. You have no right to reduce their security. It may well be that secessions—to which your Bill gives an absolute right—may to such an extent weaken a society as to place an excessive burden upon the instaying members and render it unable to face its creditors, even though it linger on for more than the year stipulated for in your Bill. You must in fairness, at any rate, allow co-operative banks to do what well-conducted co-operative banks in Europe, as a mat-

APPENDIX No. 3

ter of fact, do in cases of numerous retirements, that is, before sanctioning such retirements, to call all members together and decide by vote at a general meeting whether the society is to continue its existence with reduced numbers, or whether it is to wind up there and then with the collective liability of all still to answer for its engagements. You may do this by giving each society power to lay down its rules with regard to the time when resignation given notice of is to take effect. The best rule probably is to fix such time at the close of the financial year, in order that all may be straightforward and above board and no one left in the dark. Resignations will then figure in the report and creditors will know where they are.

I am, sir, your obedient servant,

(Sgd.) HENRY W. WOLFF,

*Author of 'People's Banks,' 'Co-operative Banking,' &c.,
and Chairman of the International Co-operative
Alliance.*

October 10.

HIS EXCELLENCY.—Now I have prepared a few remarks on one or two countries. I do not know whether the committee would like to hear them.

The CHAIRMAN.—We are most anxious, Your Excellency, to hear your views on the subject. (To the committee.) It must not be forgotten that His Excellency is probably the best expert on the co-operative movement in Europe.

HIS EXCELLENCY.—Well, gentlemen, the evidence I am going to give you is gleaned from co-operative publications, and to all who are interested in the subject of co-operation it will, I think, be most welcome and encouraging. I will begin with Denmark. The figures relating to Denmark, which I am about to give you, are taken from an article by Erik Groskov, contributed to the Annual Report of the English Co-operative Wholesale for 1905.

AGRICULTURAL CO-OPERATION IN DENMARK.

After the loss of territory sustained by Denmark from the unfortunate war with Germany, in 1864, her people rallied their broken strength, calling to their aid the assistance of the principles of association and education; and by means of these two plumes the people of Denmark have winged their nation to grèater heights than they ever reached in their unmutilated state.

The people of Denmark by educating themselves and by co-operating together, soon reached a degree of efficiency which has enabled them to secure the first place for their products in the markets of England.

The story of the co-operative developments in Denmark during the last 40 years has many lessons for Canada. It was shortly after the war of 1864, that a clergyman, Mr. Sonne, was repulsed in his efforts to put his flock in the way of obtaining eternal happiness in the world to come, with the remark that it would help them still more if he would only teach them how to obtain bread and butter in this world. He took the hint and set to work to study the methods of the Co-operative Movement in England, and in 1866, he established the first Co-operative Society in Denmark, on the English plan.

An enthusiast like Monsieur Desjardins, he worked and worked to make other people follow his example, and now in rural Denmark there are nearly 1,000 Societies with a membership of nearly 200,000 families, and yearly turnover of £2,800,000.

Now it must be remembered that the whole population of Denmark is under 2,500,000 souls or 500,000 families, very little more than the population of Ontario, and that the extent of Denmark is about 14,000 square miles, which would go almost twenty times into the province referred to.

Of the 915 societies in 1904, only 10 were in the towns, the rest in the country districts—thus showing that the energy of the private storekeepers enabled them to

7 EDWARD VII., A. 1907

secure their hold of the town custom. Connected with these rural co-operative societies, a wholesale society was established again through Mr. Sonne. The first attempt was a failure, but undeterred by failure, two wholesale societies were started in 1884 and 1887, which were amalgamated in 1896, from which time the wholesale society has been an unqualified success and is doing the largest business of any corporation in Denmark.

The wholesale society has its own manufactories for the production of chocolate, confectionery, tobacco, coffee roasting: its own experimental farm with fields for the cultivation of plants for seed. Every one of these undertakings has been started and is being carried on by and for peasant farmers. The farmers co-operate together for the purchase of feeding stuffs, for the purchase of the manures their land requires and for the articles required in dairy industry. They are thus enabled through their co-operative societies to purchase practically every article they require in their homes as well as on their farms. They have applied the principle of co-operation to every side of their life.

It is less than 25 years since they started the co-operative dairy. The farmers realized that when each of them had to treat the milk of his own few cows in his own badly arranged dairy, the profit from butter-making was much too low, and the idea occurred to them that by some method of co-operation their profits might be greatly increased. They therefore called to their assistance Mr. Stilling Andersen, at that time a dairyman, who devised the plan in accordance with which co-operative dairies are now working not only all over Denmark, but over Canada as well.

The export of butter from the Danish Co-operative Society to England has reached a very high figure.

The English Co-operators are their best customers, taking as much as \$12,000,000 to \$13,000,000 a year. The high reputation of Danish butter is due to the high degree of cleanliness scrupulously observed in every stage of its manufacture.

In the first place, the peasant farmers of Denmark, by co-operating, have been able to secure the use of the best bulls: and further, by a process of careful selection of their calves kept for breeding purposes, the average yield of milk of each cow has been greatly increased. The breed of cows has steadily improved year by year.

Again, the influence of their co-operative creameries continually spurs them to new efforts. Every year sees some improvements which either increase the production or effect a saving.

To stimulate good business methods the co-operative societies give prizes to those housewives who succeed in producing the best milk. The milk which is supplied to the creameries is frequently tested with regard to its purity and percentage of butter fat.

By the adoption of these methods, the co-operative societies have secured a steadily increasing quantity in the average yield of milk per cow, as well as an improvement in its quality.

In 1900, annual yield per cow, 4,328 pounds; average quantity milk for each pound of butter, 26.3 pounds.

In 1901, annual yield per cow, 4,439 pounds; average quantity milk for each pound of butter, 26 pounds.

In 1902, average yield per cow, 4,678 pounds; average quantity milk for each pound of butter, 25.9 pounds.

Thus, while the yield of each cow increases from year to year, the quantity of milk required for the same amount of butter is decreasing.

These double improvements are attributed to the following causes:—

- To the improvement in breeds of cows;
- To the improvement in methods of milking;
- To the improvement in separators;
- To the improvement in feeding;

APPENDIX No. 3

and to the greater care taken of the cows, the result of the steadily increasing number of peasant farmers, who naturally bestow more care and attention on their cows than the big farmers are able to secure by means of hired help. And while the value of the output per cow is thus increased, the working expenses have decreased. The working expenses of the big dairies is much less per hundred gallons than those of the smaller dairies:

In 1900 milking expenses were	73 cents per 100 gals.
In 1901 " "	69 "
In 1902 " "	66 "

The closing of a number of smaller dairies during the above three years accounts for much of the reduction in the average cost of milking: *e.g.* the small dairy will spend 34 cents on coal for each 100 gallons of milk treated, while bigger dairies will spend 8 cents.

The co-operative farmers of Denmark have used similar methods for improving the quality of their bacon; also the quality of their eggs, every egg being stamped with the number of the farmer from whom it is collected, a high fine imposed for every bad egg found, and it is claimed, as a result of this care, that in 1903 the price paid in England for Danish eggs exceeded the average of the eggs from other countries by 9 cents per 20 eggs.

Another illustration of the way in which the co-operative principle has enabled the peasant farmers of Denmark to improve their national life is to be found in the fact that the co-operative societies have raised large sums in order to build and equip two sanatoria to fight the scourge of consumption.

Now, it should be noted that the education given to their schools has been of great assistance to the Danish farmers in helping them to apply successfully to their farms the methods of co-operation. It is now well known that co-operation brings within the reach of the small peasant farmer all the advantages, in regard to production, buying and selling, which were formerly enjoyed by the big farmer only, and that by practising the methods of co-operation they are securing for themselves the best chance that is available to them of enjoying a rich and full development of individual life, and consequently of social life.

I do not think it is disputed by any one that the success with which the farmers have applied co-operative methods to their farms is responsible for the prominent position which Danish agriculture occupies to-day.

The Danish Minister of Agriculture was able to boast, a few years ago, that the four preceding years, in spite of a world-wide depression, had been the most prosperous Danish agriculturists had ever known.

THE CHAIRMAN.—Would your Excellency pardon me? Are we to understand that in the schools of Denmark the children are taught to practice the principle of co-operation?

HIS EXCELLENCY.—In the High Schools, certainly. I do not know whether it extends to the Primary Schools. In the rural parts of Denmark, the population realize that their prosperity depends upon the degree in which the co-operative principle is applied.

Let me now pass on to Ireland:

IRELAND.

The co-operative movement is a growth of recent date. Just as Mr. Sonne was the father of Danish co-operation, so Sir Horace Plunkett and Father Finley are the principal promoters of Irish co-operation. The first co-operative society was established in 1889.

There are now in Ireland 300 creameries, 150 agricultural societies and 230 credit societies, and in addition there are poultry associations, flax societies, bee-keepers'

societies and various home industries' societies, making altogether at the end of 1906, 891 co-operative societies affiliated with the Irish Agricultural Organization Society, with a total membership of 90,000 members and with a trade turnover for 1905 of \$10,000,000.

The registration of 32 new banks during 1905 is sufficient evidence that this form of co-operative society still appeals to the Irish farmer.'

The I.A.O.S. was started by Sir Horace Plunkett 18 years ago on the basis of self-help, and on the foundation of self-help has been gradually built up an edifice of government assistance.

The government are co-operating with the I.A.O.S. in its endeavour to help the Irish farmers to help themselves. The report of the I.A.O.S. for the year ending June 30, 1906, shows that the government granted the I.A.O.S. \$10,000 to help them to meet the expenses of organizing and supervising credit societies, and the subsidies contributed by the government to the I.A.O.S. to help it in its general work during the year ending February 28, 1907, were \$18,500.

Now, I also learned from the report of this society most recently issued, that in Cape Colony one of their own men trained in Ireland has been appointed agricultural co-operation commissioner, with power to spend \$43,000 on agricultural organizations and \$750,000 in co-operative loans.

It has been recognized in South Africa that the chief want in that country was the impossibility of borrowing money required for profitable agricultural operations, and that the best way of meeting this want was through co-operative credit.

In the same way it has been found in Ireland that the money placed at the disposal of selected credit societies for loan at 3 per cent, by the Department of Agriculture, has been a great boon to the credit societies, which had difficulty in raising sufficient capital either from deposits or from the joint stock banks on overdraft.

At the same time it should be stated that the joint stock banks have shown a very friendly spirit in their treatment of co-operative credit societies, several bank managers having put themselves to personal inconvenience to attend meetings, and having shown a willing readiness to facilitate credit societies in various ways.

The society reports that there is a constantly increasing confidence in the safety of the banks.

It has been found—I am quoting from the society's report—in many districts where no other form of agricultural co-operation can otherwise obtain a foothold, co-operative credit is frequently welcome. This is partly due to the simplicity of the system and the effective aid which it gives to farmers in a comparatively short time, and it is due also to the fact that local prejudice amongst dealers is not so often directed against this form of co-operative enterprise as against poultry societies or agricultural societies. Indeed, some of the banks have been assisted in their formation by local merchants, who would have resisted any other type of co-operative society.

It is satisfactory to be able to state that wherever investigations have been made, as to the utility of the loans to the individual borrowers, the results have fully realized the most sanguine expectations, and profits of 20 to 50 per cent, or even more, have been proved to accrue to the farmers adopting this form of credit. Another advantage, which might be called a by-product arising from the working of the banks, is the increased interest taken, not only in the system itself, but in agricultural co-operation generally, by the committees. Men who hardly know each other except by name, and virtually never met, who were sundered by religious or political differences, meeting on bank committees, have helped each other in their work as farmers, and by discussing practical questions of local or general interest, have helped themselves and their parish by the diffusion of useful knowledge, the increase of practical improvements and the spirit and practice of good fellowship.

Co-operative societies are being formed in Ireland for the fattening of poultry, for the sale of eggs, for bacon curing, tobacco curing and for the handling of flax, with the result that the improvement effected in the co-operative handling of flax and

APPENDIX No. 3

the improved marketing facilities, have undoubtedly been the means of considerably increasing the area under flax, 1905-06.

The dairy societies have been, as in Denmark, of the greatest help to the Irish farmers. Dairy societies which had not hitherto engaged in agricultural trade are now recognizing the advantages derivable from the co-operative purchase of manures, seeds, &c., and are evincing quite a keen interest in the consolidation of business and federation for that purpose with the I.A.O.S.

In districts where co-operative credit societies have been established in contiguity, if not in actual connection, with agricultural societies, it has been found that the bearing which one has on the other, undoubtedly tends to the usefulness and prosperity of both societies.

Further it is interesting to note that the Irish Agricultural Wholesale Society was the first body in Ireland to guarantee the percentage of purity and germination of farm seeds, and has thus been able to raise the standard of seeds to the great advantage of the farmers : and by reducing the cost of artificial manures has increased their use enormously, while the action of the Departement of Agriculture has led to a more intelligent application of fertilisers.

It may also be of interest to mention that the I.A.O.S. have arranged a scheme which enables members to obtain compensation for workmen's accidents by small premium of 3 per servant : and to insure their live stock from death by accident or disease for 4 per cent annum.

I should like to quote one sentence from the speech of Sir Horace Plunkett at the last Annual Meeting of the I. A. O. S. :—

'The provision of funds from public sources must be regarded as temporary. I make two exceptions. Co-operative credit—a matter of vital concern to all farmers who intend to improve their system of agriculture, as they will have to adopt more tillage, with its corollary of winter dairying, and also live stock insurance, both of which at a later stage, I think, might be directly organized by a Government department, with a view to the gradual development of a scheme which will justify the financing of farmers' credit associations with public moneys on the lines followed in Germany and elsewhere, abroad.'

FRANCE.

I now quote a few extracts from an article on agricultural credit in France in the New Zealand Farmers' Stock and Station Journal, which was reproduced in a Rhodesian agricultural journal, which I read here in Ottawa. The paper in question points out that the earliest attempt at the establishment of a co-operative credit bank was made in 1884, when a society was formed at Poligny with a capital of \$4,000, of which one-half was paid up. Notwithstanding its small capital, this society was very successful, but its example was followed in only a very few instances. In 1893, rural banks on the Raiffeisen system began to be introduced, and in 1901 there were 543 of these associations federated in a central society. Based on the principle of the unlimited liability of the members for the debts of the society, it was found that bankers would grant advances to societies of this kind without any guarantee, so that little capital was required. The safety of the money lent to members was ensured by confining each society within very small limits, usually a parish, where the circumstances and character of the members are easily known.

In order to encourage agricultural credit, a law was passed in March, 1899, which provides for advances from state funds, free of interest, to direct or regional banks (Caisses regionales). These banks are unions or federations of local banks affiliated banks, their capital being derived from the State grants and from shares subscribed by the local banks. The total sum available for this purpose was \$8,000,000 with an annual addition of not less than \$400,000. The advances are now regulated by a committee, according to a decree dated 11th April 1905.

7 EDWARD VII., A. 1907

As a result of this law there existed at the end of 1903, 41 district banks to which the State had advanced about \$1,750,000 and the paid-up capital of which was \$615,000.

The local co-operative banks affiliated to them numbered 616, with a paid up capital of about \$300,000. By the beginning of 1905 the advances by the State had advanced to \$3,220,000.

The growth of these banks during the three years will be seen from the following table :—

AFFILIATED Local Banks.

Year.	District Banks.	Number.	Members.	Loans Granted.
				\$
1901.....	21	300	7,998	1,085,000
1902.....	37	456	22,167	2,860,000
1903.....	41	616	28,204	4,500,000

There is considerable variation in the constitution of these local societies, very few restrictions being made by law on the form a local society must take, but the system favoured by the Department of Agriculture is based, not on the Raiffeisen principle of unlimited liability but on co-operation with limited liability, such as is proposed by your Bill, the subscriptions of persons interested, together with the assistance afforded by the State, enabling loans to be made by the district bank either directly out of capital, or by re-discounting bills through the Bank of France. The following is a summary of the scheme recommended by the department.

The members of a local co-operative bank must be drawn from the members of an agricultural association, but the number required for its foundation need not exceed seven. It is not, indeed, desired that these local banks should embrace a large number of members, as it is important that the character and financial condition of the members should be well known. They, therefore, usually confine their operations to one parish, but are affiliated to a district bank which may include the whole of a department. Each of the members must subscribe for one share varying from \$3 to \$6. The local bank devotes an important part of its resources to taking shares in a district bank ; indeed, commonly, the whole amount subscribed by members is used in this way. The capital of a district bank, however, need not be very large ; for instance, if it amounted to \$10,000 that sum would enable it to obtain at the commencement an advance from the state of \$20,000, which might afterwards be increased to \$40,000, as the law permits the state to advance four times the paid-up capital.

CO-OPERATION IN THE UNITED KINGDOM.

Mr. Smith is no doubt wondering when I am going to come to England. He is an old co-operator and knows all about the system there. Well, at the end of 1905 there were 2,215,873 registered co-operators in the United Kingdom. If you multiply this figure by three and a half, which is a fair multiplier, as, though all the members are not heads of families the majority are, you get a total number of nearly eight millions, which is more than one-sixth of the population of the United Kingdom.

The present turnover of the co-operative societies of the United Kingdom is over \$500,000,000 a year, on which they realize a ten per cent profit of over \$50,000,000 and of which they devote to education nearly \$500,000 a year. These high figures are steadily increasing year by year. These figures are hardly appreciated by people in

APPENDIX No. 3

England. The co-operative movement there is far and away the biggest industrial enterprise. It started on the basis of associations such as you propose to make legal in this Bill.

The total sales in the forty-two years, 1862 to 1904, £1,432,776,536, over \$7,000,000,000.

The total profits in the forty-two years, 1862 to 1903, £134,381,205, over \$670,000,000.

Now this vast organization which is destined to exercise a greater influence on the life of England year by year, is the practical result of the enjoyment by the people of England of the rights which the Bill now before your parliament wishes to confer on the people of Canada. When this Bill becomes an Act the example of co-operation in the United Kingdom and on the continent of Europe will be of great assistance to Canada. You must not, however, expect to be able to avoid all mistakes, and you must not be discouraged by failures. Failures confronted with spirit become the steps to success. It is well to remember that the great and successful co-operative movement of England has been founded on failures.

Robert Owen is the father of co-operation and every one of the 700 societies which owed their birth to the enthusiasm which he created for the principle of co-operation, have one after another disappeared. Various reasons have been assigned for their failure—incompetent managers, dishonest managers, the abandonment of the ready-money system, dependence on the rich for assistance instead of on self-support; but the real cause of the failure is to be found in the want of character and education among the people that Owen hoped to benefit. He wished to thrust improvement on them from the top, instead of allowing it to grow up from below. The failure of his societies was owing to the fact that the movement originated with him and not with the men themselves.

The movement, which grew out of the Rochdale store started in 1844, by the self-denial of a few workmen who resolved to do for themselves what Owen had tried 50 years before to do for them, on the other hand, has shown astonishing results.

Distributive societies exist to-day in various parts of Great Britain. After paying all expenses and interests at the rate of from 4 to 5 per cent, on invested capital, the profits are usually divided among the members in proportion to their purchases at the store. In a few societies where an enlightened view is taken of the relation between capital and labour, the employees are allowed to participate in the profits with the consumers at the store, £1 of wage ranking for as much in the division as £1 of purchases.

The organization is essentially democratic, all members being equal. The store is essentially the business of the people themselves. It belongs to them, and is managed by them. The object of its existence is to serve them and to promote their well being. The Store Committee becomes in those communities, where enlightened opinions prevail, a centre of social effort, a sort of civic church, the organized communion of the best men in each locality for the promotion of comfortable living and right and justice. The degree of the committee's influence necessarily depends on the education and ideals of the members of the society. Owen, recognizing that progress is largely a matter of education, appropriated a large proportion of his profits to educational work. I have not the sum which the co-operative societies voted last year; they amounted to, I believe, a charge of about 3d. in the pound upon the profits distributed. The question is now being debated whether they should not tax themselves a little higher through their societies for the promotion of the common good.

The chief advantages secured to England by this co-operative organization of trade and industry, which the legalised establishment of similar organizations in Canada, in accordance with the provisions of this Bill, will bring within reach of Canada are:

1. \$50,000,000 saved annually by the co-operators of the United Kingdom, and this amount steadily growing year by year.

2. Training in business habits of the committee men who are entrusted with the administration of the local societies, through which this saving is effected—in 1900 the number of committee men amounted to 20,000.

3. Effect on character of the 8,000,000 population influenced by their association with this huge organization and the responsibilities attaching to it.

4. Security provided against trusts run in the interests of a few capitalists.

I would have you reflect on the security which the development of co-operative methods offers against the tyranny of trusts and combines. There is no guarantee that the power of a trust, or a combine, will not be used against the general wellbeing of both producers and consumers. The co-operative movement provides a safeguard against this danger of a value proportionate to its strength. The Co-operative Consumers' Organization, which is in itself a trust in the interests of consumers, is prevented by law from becoming a close co-operation with limited membership.

It therefore cannot be captured by a capitalist trust. Further, no man may own more than 200 shares. Every member has an equal vote. Its command of millions of capital enables it to make large purchases in every part of the world. This power and their possession of a market gives the great Co-operative Consumers' Organization a unique position.

Mr. Verville, in one of his questions, referred to his hope that co-operation might make it easier for working men to build their own homes.

Perhaps one of the most interesting features in the co-operation movement in England at the present time is the work which is being done by Co-partnership Tenant Societies in London and elsewhere. I would refer you to a prospectus of the Ealing Tenants, Limited, of which the chairman is Mr. Henry Vivian, M.P. for Birkenhead, and who has all his life been a strenuous and effective worker in the cause of co-operation. His object has been to promote the co-operative ownership and administration of suitable building estates in the suburbs of London, by methods which, while avoiding the dangers that too frequently accompany the individual ownerships of houses and speculative building devoid of public spirit, harmonize the interest of tenant and investor by an equitable use of the profit arising from the increase of values and the careful use of the property.

The methods are briefly as follows:—

'To acquire, or erect, substantially-built houses, provided with good sanitary and other arrangements for the convenience of tenants.

'To let the society's houses at ordinary rents; to pay a moderate rate of interest on capital; and to divide the surplus profits, after providing for expenses, repairs, depreciation, &c., among the tenant members, in proportion to the rents paid by them.

'Each tenant member's share of profits is credited to him in shares instead of being paid in cash.

'The advantage to the tenant member is obvious; in that he is entitled out of the profits to receive a dividend on the rent paid by him during that period. The investing shareholder, it is admitted, does not receive an excessive return on his capital.

But the system also operates to the advantage of the capitalist.—

'A. The greater the surplus profits the greater the security for the regular payment of interest on capital. Now, it is in the interest of the tenant members, who receive the surplus profits, to make those profits as large as possible, *e.g.*, by taking care of the property and thus lessening the expenditure on repairs; by helping to find tenants for empty houses; by the punctual payment of rent. Experience confirms this.

'B. The share capital of the tenant member affords a fund upon which the society can, if necessary, draw in order to pay any arrears of rent. Loss by arrears of rent is therefore practically impossible.

'It is contended that while the system confers great benefit on the tenant shareholders, it affords by that very fact an exceptional security to the capitalist shareholder.

'This system must not be confounded with that of an ordinary building society

APPENDIX No. 3

which has advantages of its own. In the latter the occupying member makes himself liable to the society for the purchase money. If he leaves the neighbourhood the house may be a burden on his hands.

'A tenant member of this society may remain a tenant member only, however large his holding in the society. If he leaves the neighbourhood, he can sell his shares probably more readily than a house, or perhaps continue to hold them and receive the interest regularly.

'It is further claimed for this system that, in principle, it solves the question of the "unearned increment"; for all the gain under this head does not go to the shareholders as such, or to the individual tenants in the improving locality, but by swelling the surplus profits, it necessarily benefits all the tenant members of the society, as tenant members, in the shape of increased dividends on their rentals.'

That in these societies a workman can obtain practically all the economic advantages which would arise from the ownership of his own house, will be gathered from the following:

'Capital for the society is obtained at a rate below which the individual could not possibly borrow to buy his own home; he would almost certainly pay interest higher by half per cent to one per cent. After interest on capital has been paid, and the usual fixed charges have been met, any surplus profit is placed to the credit of the tenant shareholders as shares in the society, in proportion to the rents they have paid, until the value of the house is acquired in shares, after which the profit may be withdrawn in cash. It seems clear that if the preliminary expenses, such as legal and survey fees, and the interest on capital to be paid out of the revenue from rent, are less under this system, and if the tenant shareholder pays as rent what under the other system would go as repayment in instalments, then the margin or surplus which can go towards building up the capital fund must be greater. By taking as his security, scrip for shares in an association of tenant owners, instead of a deed of a particular site and house, the tenant averages the risk of removal with his co-partners in the tenancy of the estate. The value of his accumulated savings is therefore kept up, and can be transferred, if desired, without the waste that accompanies the transfer of a deed. The results of a workman's thrift are in this way made mobile as well as his labour; and this is important if he is to get the maximum economic result from his knowledge and industry.

Further, tenants having a substantial share in the capital of the society administering the property, are interested not only in securing good results whilst they are tenants, but also, after they cease to be tenants, in keeping up the permanent value of their capital.

The tenant of a house belonging to an association of tenant owners such as I have described enjoys advantages which individual house owners do not; for instance:

On the Ealing estate a small institute has been built; there is a library, a choral society, cricket and other clubs, and a discussion class, and debates are organized by the tenant shareholders, and lectures are arranged from time to time. This society, after meeting all fixed charges and paying 5 per cent on shares and 4 per cent on loan stock, realized a fair profit on the working of the last half-year; but it has been decided to carry this to the reserve fund for the present. The society has purchased an adjoining estate, which will enable a much larger number of houses to be erected, bringing the total up to about three hundred.

The tenant's position in such a society is as follows:—

1. He gets a house at a rental which, if accommodation and other things are compared, is not higher and is probably less than he would have to pay elsewhere.

2. He can invest in the society of which he is a tenant any savings he finds it possible to make out of his earnings, at 5 per cent.

3. Should values go up, the tenant gets the benefit either by way of a dividend on his rent or by paying a rental which is below the market value.

4. He secures practically all surplus profit after the fixed charges have been met.

7 EDWARD VII., A. 1907

5. The tenants, as a whole, can relieve themselves of dependence on outside capital altogether, by acquiring through investment or by accumulated capital, the value of the property.

6. The capital for building his house is provided at a cheaper rate than it could be obtained on any system that is commercially sound.

By gradual process, therefore, it lies with the tenants to transfer the ownership from non-tenant shareholders, who take the main risk to begin with, to the tenant shareholders who, it is hoped, may become the ultimate owners. This follows the policy adopted by Godin with his employees in the co-partnership iron foundry at Guise.

It will be seen that the division of risks is a varying one as between the non-tenant shareholders and the tenant shareholders. The proportion of non-tenants' capital is large to begin with, declining as the tenant shareholders' proportion grows.

The following figures show the progress of this movement up to date:—

	Estab- lished.	Number of Members.	Capital at Start.	Present Share Capital.	Present Amount of Loans, Stocks and Loans.	Amount of Mortgages	Present Cost Value of Mortgages	Reserve Fund.
			£	£	£	£	£	£
Tenant Co-operators, Ltd.	1888	320	500	5,286	9,030	11,893	28,680	3,600
Ealing Tenants, Ltd.	1901	166	300	8,653	22,658	21,523	52,451	510
Sevenoaks Tenants, Ltd.	1903	46	700	939	3,164	6,600	10,950	.....
Anchor Tenants Lei- cester, Ltd.	1903	.....	300	.....	.....	.....	.....	.....
Garden City Tenants, Ltd.	1905	93	600	5,114	24,922	3,410	33,000	.....
Beacon Hill Builders ....	.....	.....	.....	.....	.....	.....	.....	.....
Hindhead, Ltd.	1905	.....	300	.....	.....	.....	.....	.....
Bromley Tenants.	1906	.....	.....	.....	.....	.....	.....	.....
Bournville Tenants, Ltd.	1906	.....	.....	.....	.....	.....	.....	.....
Oldham Garden Suburb Tenants, Ltd.	1906	.....	.....	.....	.....	.....	.....	.....
Manchester Tenants, Ltd.	1906	.....	.....	.....	.....	.....	.....	.....

As will be seen from the above illustration, a tenant owners' society, to administer a garden village, can make a start with very small resources. Why should they not multiply rapidly? Cheap transit is now enabling the people to travel quickly from the centre of our towns into the suburbs; tenant societies might well be started to share in the development of these suburbs, buy land or lease the same from municipalities, and thus raise the whole tone of speculative building. The system upon which such societies are worked is a comparatively simple one, and, with a central organization to mould societies and guide them in their infancy, their number should rapidly increase.

Those desiring to establish societies in their own districts can obtain information as to the best way to do so from Miss Gurney, 22 Red Lion Square, London, W.C. I have put this information before this committee owing to a remark of Mr. Verville leading me to suppose that the problem of how to house the workmen of the rising towns of Canada is one which is very naturally engaging his attention.

Mr. MONK,—Your Excellency, Mr. Chairman and Gentlemen: I am sure I am voicing the feelings of members of this committee and of the House who are here present in stating that we are extremely grateful to His Excellency for the very valuable information he has laid before the committee this morning. The members of the committee have brought to the consideration of this important measure a great deal of industry and have sought to procure all the information available by hearing from competent experts who have made a life study of the subject. Could we expect to get the testimony, if I may use that expression, of His Excellency, it would be most valuable to us, because we knew that long before Earl Grey came to Canada he had

APPENDIX No. 3

made of this subject a special study, and had done a great deal in England to promote the co-operative movement there. Through the good offices of our chairman, we succeeded in obtaining the presence of His Excellency, and I venture to say that the enlightenment he has given the committee will be most useful to its members in preparing their report and also to the House of Commons itself when it comes to study the measure. I am glad to avail myself of this opportunity to state that this is not the first occasion upon which His Excellency, since he has come to Canada, has manifested the warmest interest in everything that could in any way further and advance the welfare of the people and the progress of the country. Of this he has given manifest evidence this morning again. It is indeed an admirable illustration of the grandeur and elasticity of our political institutions that we should thus have the advantage of seeing one occupying such a high position lay aside for a moment his official character and come as a private citizen to give us the benefit of his great experience of the advantages of the co-operative movement which he acquired while in England. I would like to say, Mr. Chairman, that I listened with particular interest to the suggestion made by His Excellency concerning the unlimited liability character of the Raiffeisen banks and the opinion he brought to us of Mr. Wolff, one of the most eminent experts in England, on this subject that unlimited liability is desirable. Of course, as we all know, and as His Excellency knows, there is an objection amongst Anglo-Saxon people and those whose institutions are modelled after the Anglo-Saxon plan, to unlimited liability. Nevertheless, we will, when we come to study the details of the Bill, put in practice as far as possible, the suggestion which, upon that point, has been made to us by His Excellency. Without wishing to detain any longer His Excellency or this committee, I beg to move, Sir, seconded by my hon. friend Mr. Smith:—

‘That this committee desires to place on record its indebtedness to Earl Grey, and tenders His Excellency its thanks for his attendance this morning, and for the valuable information he has given this committee, as well as for his deep interest in the cause of co-operation.’

Mr. SMITH.—As a member of the select committee appointed to consider this Bill, I have very much pleasure in seconding the motion of my honourable friend, Mr. Monk. His Excellency has been kind enough to make a personal reference to myself, as having experience of the operation of the principle of co-operation in England. I desire to say that that is so; and one of the most important influences, as I consider, in my training and experience, has emanated almost absolutely and entirely from the operation of that principle in the Motherland. I regard the principle of the co-operative movement in Canada as important from one standpoint principally, and that is in its disposal of the present condition of credit in this country. I came to Canada fifteen years ago—this may be a personal reference, but I desire to illustrate the point I am making—a poor man, having brought up a family without the expenditure of single pound on the credit system. I never once in my life purchased an article that I did not pay the money for, but when I came to Canada, I found, in British Columbia, in Vancouver Island, that the credit system was prevalent everywhere. Under this system of credit the miners of Vancouver Island had their monthly payments mortgaged before they would get them. In my opinion, Mr. Chairman, the operation of the credit system, as a business principle, in any country to such an extent is a serious detriment to the mental and moral improvement, and the elevation of its citizens. If there is one thing more than another which the co-operative principle teaches, it is that a man should be thrifty; it teaches him to economize even with his small earnings, and the importance of paying for everything he purchases. I am surprised to find that, seventy years after the enactment of a law providing for the incorporation of co-operative societies in England, we are discussing the importance of the same principle in Canada. Perhaps in the consideration of this subject by the committee I have been a little impatient, because I thought that

after seventy years of experience in England it ought to be easy enough for us to adopt the principle in this country right away. The principle of the legislation is that of purely voluntary action. There is nothing compulsory about the principle at all: it simply provides that the individual members of the State shall have the right to co-operate for their own interests, to minister to their own wants, and to economize their own finances. I am very much pleased that His Excellency, with so many years of experience, has favoured the committee with an address this morning, and I have no doubt that what he has said to us will help the members of this committee and of the House of Commons to further the passage of this wise and necessary legislation. Doubtless, His Excellency's address will have far-reaching effects on the country.

THE CHAIRMAN—YOUR EXCELLENCY AND GENTLEMEN.—I wish once again to thank you for your attendance this morning. This committee has sat exactly one hour. We began the proceedings within a very few minutes after twelve and it is now five minutes past one. I think it will be the consensus of opinion that this has been one of the most, if not the most, interesting sittings that this committee or this parliament has had since the beginning of the session. We have had the first citizen of the land, His Majesty's representative, coming before us to give us the benefit of his advice on a system which he has himself promoted on the other side of the water. It is a pleasure for us to see that the work which has been accomplished in England by the Owens, the Wolffs', the Greys', and in Italy by the Luzzatis, has been taken up in Canada by the humble Hansard reporter of the House of Commons, Mr. Desjardins. Your Excellency, Mr. Desjardins has taken up your work in Canada. He has been an enthusiast and to-day he is probably the proudest man in Canada, because after years and years of perseverance and effort, his work, so humble at the beginning, is now commended by the highest authority in this Canada of ours. Let me thank you, in Mr. Desjardins' name for the kind words you have used in speaking of his work. To show the interest of His Excellency in the work of co-operation, I hold in my hand a book which His Excellency got the other day at La Caisse Populaire de Lévis, which he visited as a subscriber on the occasion described by him. I thank you again, on behalf of Mr. Desjardins who cannot speak, on behalf of this committee, and I can assure Your Excellency that by your address this morning and by the facts which you have submitted to this committee, you have helped considerably to promote the passage of the desired legislation.

The resolution was then put and carried by acclamation.

In reply His Excellency said: I can assure you that if I have been of the slightest use to you in your deliberations upon the Bill which is now before the House of Commons, it will afford me the greatest possible pleasure. I am glad to have had the opportunity of meeting you and I heartily wish you success in your efforts to enact this measure. I hope if it does pass it will be conducive to the prosperity and the well-being of all parts of the Dominion.

The committee adjourned.

HOUSE OF COMMONS,

Room 62,

FRIDAY, April 5, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met here at 4 p.m., Hon. Rodolphe Lemieux, chairman, presiding.

APPENDIX No. 3

Mr. G. H. PERLEY, M.P., called by consent, and examined.

By the Chairman:

Q. You are in the lumber business?—A. Yes.

Q. And you are a bank director?—A. I am a director of the Bank of Ottawa.

Q. And you are a director in more than one bank?—A. Only in one.

Q. Have you examined this proposed legislation, and if so, will you state to the committee whether, in your opinion, it will be beneficial to the people at large, and if the provisions of the Bill meet with your approval?—A. I may say, Mr. Chairman, that I am here as an individual to give my own personal views on the matter, as the mover of this Bill, Mr. Monk spoke to me several times about it. I read the Bill over carefully for the purpose of seeing whether I could make any suggestions to better it. I may say that I have no experience myself of the co-operative movement, but it is quite apparent from the evidence which has been given before this committee that it has been productive of great good in many countries. I listened the other day very carefully to what His Excellency had to say, and there seems to be no doubt that this movement would be for the benefit of the people of this country. I simply wish to criticise a few details of the Bill and more particularly that part which has reference to the carrying on of a banking business.

Q. What part of the Bill is that?—A. The clauses with reference to the banking business.

By Mr. Sinclair:

Q. What clauses?—A. I will refer to them later on in detail. First let me say that I notice subsection *a* of section 3 provides: (Reads): ‘No member other than a joint stock company, an agricultural association existing under the laws of Canada or some province thereof, or a municipal body, shall have or claim any interest in the shares of the society to an amount exceeding five hundred dollars.’ Now, I certainly think it would be a great mistake to draw a distinction between an individual and a company in connection with the amount of stock that they are free to hold. If the amount is to be limited to five hundred dollars it should apply to everybody. On looking over the Bill I see no provision that there shall be only one vote for each shareholder. I understand that is one of the basic principles of co-operation and I certainly think it ought to be put in the Bill that each shareholder should have one vote, irrespective of the amount of his holding of shares. If that were provided for, the limit as to the number of dollars which a person could put in might be struck out and it would be permitted that a person or corporation should have as many shares as they wished. There are provisions for the winding up of the society in subsection *e* of section 33. It seems to me that this clause ought to be more carefully drawn. Under it, if the society has a certain reserve, any shareholder can withdraw at any time and he shall not be at all liable in connection with the company from the moment of his withdrawal. Now, under this clause the directors of a society which was in trouble, even although it nominally showed a reserve to the legal amount provided for, could withdraw at one moment’s notice and thereby relieve themselves from every possible liability in connection with their shares. Now, that certainly is not fair or proper and might lead to great abuses. Another thing I notice is that the Companies’ Act, as I understand it, would not apply to a society of this kind. Now, supposing the directors were to declare dividends that had not been earned. Are they to be punished for that under this Bill?

Mr. MONK.—It is the general meeting, in the case of co-operative societies, that declares the dividend.

Mr. PERLEY.—It is declared at the general meeting?

Mr. MONK.—Yes, sir.

The CHAIRMAN.—Is there a clause to that effect?

7 EDWARD VII., A. 1907

Mr. DESJARDINS.—It may be incorporated in the by-laws and in the law as well. The board has only the right to make recommendations to do this or do that, but they have no power at all to declare a dividend. For instance, I have no power at all as a director or as a member of the board of administration of La Caisse Populaire to declare a dividend. Our people at Lévis were calling upon me for a dividend, but the board had no power to declare one. I said to them, 'You must wait, I cannot, as manager, pay one cent because I am not authorized by the general meeting.'

Mr. PERLEY.—I see no provision about dividends at all. From that I infer that the board would have power to declare them.

Mr. DESJARDINS.—No.

Mr. PERLEY.—There should be some clause providing as to how the dividends are to be declared.

Mr. SINCLAIR.—Look at subsection *a* of section 33, 'No person, society or company who, or which, has ceased to be a member for one year or upwards, prior to the commencement of the winding up shall be liable to contribute.'

Mr. PERLEY.—Yes, that is perfectly plain. But subsection *e* provides that in case the society has a certain reserve—the amount of which is not stated here—then any one can withdraw at a moment's notice and be no longer liable. Now, the directors knowing the state of affairs of the society, may withdraw at a moment's notice under that clause, although the society is really bankrupt.

Mr. MONK.—They would be liable, if the society was bankrupt under section 33?

Mr. PERLEY.—Not under subsection *e*. It says that any member who has withdrawn shall be free from any liability whatever from the moment of his withdrawal. Those are very strong words.

Mr. SINCLAIR.—Providing there is a reserve sufficient to meet all liabilities, I suppose.

Mr. PERLEY.—That is not the way the subsection reads.

By the Chairman :

Q. That section might be made clearer ?—A. The Ontario Bank nominally had a big reserve, and yet it failed.

Mr. DESJARDINS.—In the case of banks, there are a number of other provisions which makes it a little different.

The CHAIRMAN.—That is not as clear as it might be, and it would be quite right that we should provide that if an institution turns out afterwards to be insolvent, then the shareholders within a year should be liable.

Mr. SINCLAIR.—If there is no reserve you make everybody liable for any debt that occurs within a year. But if there is a reserve then they are let out, you relieve them from all liability. As Mr. Perley puts it, in a case where there is a fictitious reserve, and where the concern is really insolvent, although there is a reserve, should not every shareholder be liable in that case?

Mr. PERLEY.—A trading society would buy large amounts of goods from people and they might be liable for large sums of money, they might, if they became prosperous, do a large amount of business, and they might have very heavy debts to outsiders.

Mr. DESJARDINS.—They are supposed to pay cash. I suppose that a good many things can be looked after in the by-laws, but the general law, if I understand well, deals with the general principles and then the by-laws complete the law. Of course, the by-laws are often very exacting and for a good purpose, but it is pretty difficult to put in a law, in a general law, all the restrictions that can be put in the by-laws which cover many of those points.

Mr. MONK.—That will have to be attended to in the amendments that are made to the Bill.

APPENDIX No. 3

Mr. PERLEY.—Section 29 provides for the amalgamation of more than one society by resolution. Now, the intention of this Act is that a society shall only do business in one electoral division, and in clause 29 you provide for the amalgamation of any two or more societies incorporated under the Act which may be effected by special resolution of each of the societies interested. The clause certainly ought to say, 'Two or more societies within the same electoral division,' because otherwise, under clause 29 you might have the joining of these societies all over the province into one very large society, which is distinctly opposed to the spirit of this Bill.

Mr. MONK.—You referred a moment ago to the case of the declaration of dividends?

Mr. PERLEY.—Yes.

Mr. MONK.—I would like to have your opinion on schedule B of the Bill, Article 10; that is a matter which has to be determined by the rules of the society, 'Mode of application of profits,' and not by any decision of the directors.

Mr. PERLEY.—Well, the society might decide under section 10 to leave it to the directors, that is possible under that section.

Mr. MONK.—No, not as I read the Bill, because they have to make their own rules, and not leave it to any other outside authority to decide on their by-laws. The law does not give them power to leave that to the board of directors.

Mr. PERLEY.—Do I understand you to say that under this wording the society could not make the by-law to read that the directors may declare dividends as they see fit?

Mr. MONK.—I should not think so, because the Bill says that must be determined by the rules of the society.

Mr. PERLEY.—Well, that is a technical point I may not understand.

Mr. MONK.—They cannot relieve themselves from that obligation by referring it to the directors?

Mr. PERLEY.—That is a technical point, and it seems to me that under subsection 10 they could make a by-law in that way and leave it to the directors, but possibly they could not.

With regard to the banking business which is provided for in this Bill, I see no objection to it whatever. It seems to me that it is a very wise thing if properly guarded and carried out, and that there should be no objection to societies of that kind. But I think that they ought to be absolutely and entirely distinct from any trading society. I do not think there should be any provision made for joining the two together. I certainly feel that any society which deals in lands, mines, sawmills, and things of that kind should not have the power to do a banking business of any kind whatsoever. It is all right for people to carry on a hazardous business with their own money, but they should not take the deposits of others and use those deposits in a dangerous and hazardous business.

Mr. MONK.—I might say, it is intended by amendment to confine the credit loan and banking business exclusively to banking societies.

Mr. PERLEY.—If that is the case, it will do away with a good many objections I would have to the Bill. Before I go further, I might say that the word 'banking' ought not to be used in connection with this matter. There should be another name, and I have suggested that they should be called Credit Societies.

The CHAIRMAN.—I am of your opinion. Since the last meeting I have consulted the Minister of Finance, who is unable to give all the time to the consideration of the Bill he would desire, and he stated he would not offer any objection provided we did not use the word 'bank.' The word bank has a magic in it to the people, and we can amend the Bill so as to avoid the use of that word.

Mr. DESJARDINS.—I think it would be very wrong to use that word 'bank,' because the society does no banking whatever; it is a misnomer.

Mr. SINCLAIR.—Would you call it Savings and Credit Society?

Mr. PERLEY.—That exactly explains what it is for, Credit and Savings Society.

The CHAIRMAN.—It exactly explains the object of the Bill.

Mr. DESJARDINS.—I always objected to the word 'banking' because to our English-speaking fellow countrymen it gives another meaning altogether to that which is intended. In French we have the word 'caisse' which gives us the right meaning, a diminutive attenuated expression in French of the word 'bank'; while in the English the word 'caisse' has unfortunately no translation, where you use the word 'bank' for everything and it carries a magic with it which carries the people away. They have no conception of what the word is when it is applied to a society such as this.

Mr. PERLEY.—I would suggest there ought to be two Bills if you are not going to have the credit society do any ordinary business. Have the banking part of it in a separate Bill, there are a great many provisions which apply to one and are not required for the other.

Mr. MONK.—That would be very inconvenient to have two separate Bills; we want to make it as simple as possible.

The CHAIRMAN.—You will have enough trouble in passing this one.

Mr. PERLEY.—I notice that there is a provision for certain reserves, the amount of which is left open in the Bill as now printed, after which the shareholders can withdraw and get their money back and I am told that it is proposed to make that 100 per cent. Well, I consider that if you are going to have that kind of provision 100 per cent is perfectly reasonable and satisfactory, but I certainly do not believe in the provision for allowing the capital to be withdrawn. I have talked this matter over with Mr. Desjardins several times and he does not agree with me. Of course he has had more experience than I have had, but it seems to me that it would be far and away the wiser to provide that the capital could be transferred to a person who is satisfactory—of course he must be elected to the society in the usual way—rather than to allow the person to withdraw his capital. It seems a very extraordinary thing that persons should be allowed to withdraw and thereby perhaps impair the usefulness of the society. The money is in and they ought to be satisfied to leave it there.

Mr. MONK.—Does it not occur to you that if the party who becomes associated with the enterprise has to be approved of by the society, it would be very awkward to deal with shares in a co-operative credit and loan society, or a co-operative society, as you deal with the ordinary transferable shares of other companies. You do not require in ordinary cases the approval of the companies to acquire shares.

Mr. PERLEY.—No, not if the shares are paid up. In other directions we have something very difficult and still quite similar. For instance, take one of our fishing clubs, that is the way it is managed. The shares are transferable and saleable, but the new purchaser has to be approved of by the rest of the company before the transfer is accepted by the directors.

Mr. MONK.—That is not very much the same idea, because that is a sporting club, and co-operation applies principally to the poor people as a rule.

Mr. PERLEY.—Yes.

Mr. MONK.—And a man who invests a little money in a co-operative society likes to know that when he wishes he will be able to withdraw that—to pay it up by instalments and to withdraw it. Otherwise it is very difficult to get labouring men or men engaged in agricultural pursuits to go into one of these societies. Do you appreciate that point?

Mr. PERLEY.—I quite appreciate that point and this is a matter I do not feel very strongly about. It seems to me it would be better without the power of withdrawal, but I do not feel very strongly about it. Of course I am referring now entirely to the Credit Societies.

APPENDIX No. 3

Mr. SINCLAIR.—You are afraid there will be a run on the bank some day and they will all withdraw?

Mr. PERLEY.—Well, it might happen quite easily.

Mr. SINCLAIR.—How do you provide for that case?

Mr. DESJARDINS.—We have the right by the by-law to exact a notice of thirty days. If we were confronted by a run we would say 'Now, gentlemen, you will just wait until the money is in. We will give you the money. The money is all right, but it has been loaned out.'

Mr. SINCLAIR.—But they might not wait.

Mr. DESJARDINS.—Of course we have the right to make them wait thirty days under the by-laws.

Mr. MONK.—And you refer to the by-laws because every depositor must be himself a sharer.

Mr. DESJARDINS.—He has approved of the by-laws and been a party to them. Besides you must not forget that this society will be a people's society. It will not be a society composed of Mr. So-and-So or shareholder So-and-So, from Toronto, Kingston, Halifax, or somewhere else, but it will be the whole people's society in a small area, all the members knowing each other. Under the circumstances there is no more fear of a run on the society than there is for a run on the moon, excepting that in large cities it might happen. In small towns, what I might call rural towns, there would be no fear of it. In large cities like Montreal or Toronto it might happen, but I hardly have any fear of it. You have, for instance, the experience in Milan, Italy, with a population of 500,000 souls. The Banche Popolare, of Milan, has been over forty-five years in existence and has never had a run, although it controls over \$100,000,000.

The CHAIRMAN.—Belonging to very excitable people.

Mr. DESJARDINS.—And they are very excitable people, the Italians.

Mr. PERLEY.—Is the amount that each one can hold in shares limited there?

Mr. DESJARDINS.—No, it is not practically.

Mr. PERLEY.—If you are going to have the right to withdraw, don't you think you ought to limit the maximum holdings of companies and persons, because if any one person or company held a large enough number of shares he might ruin the society in a morning.

Mr. DESJARDINS.—That is just what I was going to point out. I would suggest humbly that it should be said in the Act that the by-laws should fix from time to time the maximum that the society will allow members to take as shares. For instance, let us take a practical case. Take the case of the 'caisse' at Lévis, with which I have been connected for the last six years. We started with twenty-five shares allowable to one member at \$5 a share, making \$125.00. That was the whole amount that member could have.

Mr. PERLEY.—Could a company take any more than that, a joint stock company?

Mr. DESJARDINS.—Not at the start.

Mr. MONK.—Mr. Perley asks if a joint stock company could take more than a member?

Mr. DESJARDINS.—There was no distinction between incorporated bodies and individuals. Later on, the business having expanded, we doubled the number of shares at a general meeting by resolution. It was resolved that in the future the number of shares to be held should be fifty. Now we have two hundred shares, that is \$1,000, because the business has increased. The college at Lévis and two or three public institutions—they have no fear that the society will be bankrupt—have taken the maximum amount. There is this advantage, that a man or a public institution in a locality who desires to promote the good of such a society will take the full amount of shares allowable in order to help the society along. For instance this very morning I received a letter asking for quite a loan. We have in our hands

7 EDWARD VII., A. 1907

only \$4,000.00, although our total assets amount to about \$51,000. The rest is loaned out in good loans. I received a telegram this morning saying, 'I am asked for a loan of \$2,500, and we have only \$4,000. How shall I manage?' I had to answer, 'Refuse.' We had to refuse a good loan for about fifteen months, that would have paid us well, because we have not money enough. Leaving it in the hands of the society to fix the amount of shares to be held; then it grows as the business grows. But I always take this view of it: That the limit shall be fixed by the general meeting.

Mr. PERLEY.—It should apply to all incorporated companies as well as individuals.

Mr. DESJARDINS.—There should be no distinction, but the limit should be fixed from time to time by the general meeting.

Mr. PERLEY.—Are you allowed to loan money on land?

Mr. DESJARDINS.—Well, of course we could.

Mr. PERLEY.—Do you?

Mr. DESJARDINS.—We have not done it yet.

Mr. PERLEY.—It would be very dangerous if even a society of this kind should get into the habit of loaning money on land.

The CHAIRMAN.—Of course you lend money that could be recovered as soon as possible.

Mr. DESJARDINS.—On demand always. It might be in a mortgage, but the money is always payable on demand.

Mr. PERLEY.—There should be a provision that these credit societies should not be allowed to lend their money on land and things like that, where they cannot get it out.

Mr. MONK.—But if it is on demand?

Mr. PERLEY.—If it is payable on demand it is all right, provided it can be actually collected promptly.

Mr. SINCLAIR.—If it is on demand, you cannot get it out of land if it is not saleable; you have to foreclose, and that takes time.

Mr. DESJARDINS.—The way we have done that, is that we say only a certain proportion of the general assets is to be loaned on mortgage. I think it might be fixed at a safe percentage.

Mr. PERLEY.—The clauses with regard to the banking societies, for instance, and the lending of their money should be drafted by some one from the Finance Department. We have the best system of banking in the world to-day, and if we are to have these societies incorporated we should have have them started on a basis equally good.

Mr. MONK.—Notwithstanding the good banking system that we have, a great many people have suffered from the failure of banks.

Mr. PERLEY.—Comparatively few.

The CHAIRMAN.—And when the law was ignored by the parties from whom you expected protection the best bank in the world could fail. Take the case of the Ville Marie Bank where you have a conspiracy from the president of the bank down to the clerk, and in fact you will remember when the startling discoveries were made, we had Bousquet arrested in Montreal, and who goes first to the court house to bail him out but the president? We had to discover the whole thing, the conspiracy between the president, the cashier, the tellers and the clerks and arrests had to be made.

Mr. MONK.—It has been the case in almost every instance where the bank failed.

The CHAIRMAN.—In the case of the Banque du Peuple, which is from the other side of the case. You had a president, a very honest and straightforward man, but

APPENDIX No. 3

the old gentleman did not take any care. He went there and smoked his cigar every morning, and you had the inspectors and the auditor, a gentleman whom you and I knew well, but they were practically prevented by the board of directors from examining some of the transactions and the books. The moment somebody in the bank machinery ignores the law the whole system may be wrecked.

Well, we thank you very much, Mr. Perley, and I hope you will assist us in framing the Bill and in putting it through the House.

Mr. PERLEY.—I shall be very glad to look it over when you have changed it.

The committee adjourned.



ADDENDUM

General Statement by Alphonse Desjardins, President
of 'La Caisse Populaire de Lévis.'

ADDENDUM

GENERAL STATEMENT

BY

ALPHONSE DESJARDINS, PRESIDENT OF 'LA CAISSE POPULAIRE DE LÉVIS.'

The following copious extracts are designed to show the opinions of the leading authorities who have attentively studied the beneficial system of people's banks and thereby to give an adequate idea of the exact nature of these popular institutions, popular in the widest sense of the word, as conclusively shown by the description herein given of their organization and working.

Before going further, it is, I feel, necessary to assert positively and unmistakably that these associations are not designed to work in the field now occupied by the ordinary banks, or to become competitors in any way, shape or form with the existing and larger financial institutions. Nothing can be more erroneous or more remote from the nature, economically speaking, of these societies. They are called for and will be most beneficial because their very existence will meet a want existing in our economic regime as it existed in other countries before they came into being there. This is their sole object and mission, nothing more, nothing less. Considered from this point of view, their existence would help largely to expand the flow of business reaching our large banks, and would increase the economic activities of our progress, by increasing their power, by giving to the humblest people the all-powerful weapon of capital, however small it may be, necessitated by their calling and energies. It will also help the poorest classes by offering them the credit which they deserve when hard-pressed by adverse circumstances, which help they can now have only at ruinous cost from the pawn-brokers whose business flourishes in every province, or from the usurers whose dealings have aroused the public sentiment to such an extent that the Federal Parliament, as well as some provincial legislatures, have deemed it their duty to legislate against them. These anti-usury laws may reach their object to the extent of punishing here and there some usurers called before our courts, but none provide the real remedy of offering to the unwilling victims the money needed, and it is this very remedy that is given by the credit associations so numerous in Europe, and which tend to spread all over the world in every civilized nation.

Moreover, for reasons too obvious to be mentioned in detail, these organizations would largely promote thrift and would attract on all sides the best attention of our scattered and isolated groups of population. They would offer a ready-at-hand reservoir to receive the cents of the poor. The very proximity of the credit association would be the strongest incentive to thrift that could be devised, to instil this social and economic virtue so precious everywhere, and much more so in a young country like Canada, where every cent can be turned to such good account by reason of our immense natural resources. It is when we compare our savings results with those of other countries that we realize how far behind we are, both in amount saved and in the number of savers. But what is still more attractive in these societies, is that they inculcate the habits of saving by receiving the copper, literally speaking. Thousands and tens of thousands never save because they have never the spare dollar to open an account. The village society will convert these spendthrifts by making them savers of cents to start with.

The above-mentioned features have been well understood by the leading and most powerful banks of Continental Europe, beginning with the Bank of France down, in-

cluding the large savings banks of Italy, which come so cheerfully and so readily to the help of these village or local institutions, lending them large sums whenever necessary, on the security of their assets and their splendid reputation. This substantial assistance shows that these societies are regarded by these banks as a very valuable connecting link in the economic fabric of a people, and should be fostered instead of being looked upon as undesirable competitors. They are, in fact, true feeders to the large banks, as experience has shown them to be in every country where both work advantageously side by side and with perfect harmony.

The educative features both in credit and thrift need not be mentioned here; they are self-evident, and they will be shown in a very satisfactory way by the appreciations quoted below.

The word 'bank' is a misnomer, as it carries a meaning quite opposite to the nature of these institutions, and creates a prejudice which is most unwarranted in every respect. A bank is an institution which issues paper-money, receives deposits from the public and lends money to its customers. None of these leading features is to be found in the associations spoken of here. They do not ask the privilege of issuing paper-money, nor even of receiving deposits from the public generally, although this right is cheerfully granted them in all other countries where they exist, nor do they lend to the public. All their transactions are confined to their own members, and the sphere of action of each separate society would here be confined to a well defined and small area. These characteristics prove the co-operative and strictly local nature of the societies whose formation I advocate. They leave no room for misunderstanding as to the present and ultimate aims of these societies. If anything incidentally mentioned in the following extracts bears a somewhat different construction, it must be considered as out of meaning here, and so interwoven with the subject matter for which the quotation has been chosen, as to make it impracticable to leave it aside. What is to be taken into account is, first, the leading principles of associated action, and, second, the purely co-operative working of those principles.

Nor is a co-operative savings and credit association a loan society, of which there are so many in Canada. Loan societies are capitalized either by men of wealth seeking an investment for their funds, or by instalment shares sold to the public, and they do business with anyone looking for a loan and offering a good real estate security in the form of a mortgage or other equally good pledge, not to be found at every door, above all among the working classes. These societies do not educate their clients, they do not care for their clients' well-being, they do not care for the use of the money borrowed as long as they have their real security in good shape; that is all they look for. They are carrying on business transactions, and nothing else. Their interest and success are not bound up with the interest and success and prosperity of their borrowers, their object being to make money at their clients' expense and to enlarge thereby their yearly dividends. It is the very contrary in the co-operative association, since both the borrowing and lending are done by the members, and the members only. Again, the loan society does business all over either Canada or the province where it has been incorporated, while the genuine co-operative association is limited to a small area and could not go outside without violating the law, and thereby being liable of losing its very existence through the withdrawal of its charter.

I cannot summarize in a better way the essence of this form of association, than by giving here the object of such an organization, for which purpose I quote at length the following article of the constitution of 'La Caisse Populaire de Lévis,' a co-operative savings and credit association, which I established in Lévis, and of which I have been president since its formation:—

Object.

'Article 2.—The objects of the association are:

'1. To protect its members against reverses of fortune, the results of enforced idleness, sickness and want, by teaching them the inappreciable benefits of wise providential measures based on mutual assistance and co-operation, and, in particular,

APPENDIX No. 3

by instilling and developing in them the taste for and the constant and energetic practice of economy even on the most modest scale;

'2. To aid them by a wise and prudent system of credit in the shape of loans and advances, the proposed employment whereof must be communicated to the association, be approved by it, and be in accordance with the spirit in which it is founded;

'3. To enable persons devoid of fortune but who are industrious, honest and laborious, to form part of the association by granting them facilities for paying up their shares in the capital stock by means of very small weekly instalments;

'4. To secure the practice of the Christian and social virtues that mark the good citizen, the honest, laborious and honourable workers, by exacting above all moral warranties of the highest order from the shareholders who borrow from the association;

'5. To combat usury by means of co-operation and mutual assistance by providing all who are deserving of the same, through their fondness for work, their skill and the integrity of their conduct, with the moneys they require for carrying on their business or occupation, and which they cannot obtain from existing financial institutions owing to the insufficiency of the present system; thereby making them independent of lenders who levy exorbitant commission or interest, or of those who impose too onerous conditions in connection with credit;

'6. To foster the spirit of enterprise and promote local works, whether of an industrial or agricultural character, by the prudent use of the savings effected within the district covered by the association's operations;

'7. To spread amongst its members a practical knowledge of the elementary principles of economic science, and to teach them respect for their written engagements; as also the advantages inevitably derived by those who faithfully fulfil the obligations they have undertaken.

'8. To create and foster mutual confidence between shareholders by means of economic relations based on the security of warranties of a high character, inasmuch as they are founded, in a very great measure, on morality, honesty, order, love of work and prudence;

'9. To gradually procure for them—by persevering efforts towards securing economy and consequently a just measure of credit—that economic independence which inspires and fosters a feeling of personal dignity, and convinces one of the need of relying above all upon himself to improve his position and elevate himself in the social scale.'

Here you have the spirit, aim and essence of these associations which are advocated for the benefit of the humbler classes, in whose hands they should always be and who would absolutely control them, direct them and minister them for their own advantage. A large proportion of the following extracts have a direct bearing upon what one would call the banking aspect of the question. But it does not follow by any means, that the co-operative association sought to be legalized in Canada is to be confined to that feature, or that co-operative associations cannot produce splendid results in all other branches of economic activity. To think so would be to shut our eyes to all the wonderful benefits conferred upon the working classes, be they urban or rural, in most of the civilized countries of the world. The saving and credit aspect of co-operation is, to our mind, the very starting point, the basic foundation of the co-operative movement, educating and elevating the workingmen and farmers in their respective callings, and making effective their efforts and labours. As experience has repeatedly shown, co-operation in agriculture, for example, has conferred immense benefits upon all, without damage to anyone. It seems to me, for instance, that colonization in eastern Canada would receive a great impetus and be helped to an incalculable extent by co-operative societies organized under a liberal law that would offer freedom of action combined with the safeguards established by prolonged experience and the special circumstances of this country.

In our agricultural communities this form of association would be a great boon,
1584—9

as it would afford a sure safeguard against the evils that drive so many of our rural people to our cities and even away from their own country. Improvidence as well as want of economic education have caused the ruin of thousands of agriculturists. Usurious loans, abuses of or unproductive credit, as well as greedy lenders, have driven hundreds, if not thousands, of our unfortunate farmers from their homesteads and forced them to seek a poor living in our cities and towns, while thousands upon thousands have crossed the frontier, settled there and are lost to their native land.

It might be asked if this particular kind of association would adapt itself to our habits and social as well as economic conditions, and meet out known wants. There cannot be any doubt as to this point, considering our situation and our needs, which are so numerous in every direction. Again, more than one decisive experiment has been made here, and the success achieved in each case has already proven how readily our people will adapt themselves to this special form of association, and learn to gain every possible advantage that can be derived from it.

AUTHORITIES QUOTED.

In order to give more weight to the quotations hereafter made and to save time and space, it is desirable, I think, to mention here in a very summary way the information that will convince of the importance to be attached to those views and why they are taken as authorities of the highest character. The following quotations from eminent publicists of various countries form a consensus of international opinion, the force of which is obvious:—

The standing in political economy of the writers quoted, and above all, their very close study of this particular matter, under conditions and circumstances of a very special and favourable character, are such as to give to their opinions the greatest possible weight in considering the question involved.

Mr. Henry W. Wolff, chairman of the 'International Co-operative Alliance,' of which Earl Grey, Governor General of Canada, is honorary president, is known as an economist, and above all, as one, if not the best, of the leading exponents of co-operation in matters of thrift and credit. His works on that question are quoted everywhere, and his most valuable book 'People's Banks,' a record of social and economic success, is considered classic on this question. For almost twenty years he has studied this subject all through Europe, and has had the best opportunities of acquainting himself with the working and economic results of these co-operative societies. This appreciation is borne out by the following mention contained in the report of the committee appointed by the government of India in 1901, to which reference will be made later on.

'We are also specially indebted to Mr. Henry W. Wolff, whose extensive knowledge of the principles and practice of co-operative village banking are well known, and whose valuable suggestions, communicated through the Secretary of State, have received our most careful consideration.'

Moreover, in 1898, Mr. H. W. Wolff was called as an expert witness on co-operative banking by the committee of the Imperial House of Commons appointed to make an inquiry on money lending.

In 1901 the government of India appointed a committee to consider the question of organizing co-operative credit in that country, by passing a law authorizing the formation of such societies among the native as well as the British population. Lord Curzon, Governor General, and his advisors did not seem terrorized by the awful dangers of giving to Hindoos the right to form co-operative banks among themselves even, according to the recommendations of the committee, without the restriction of not receiving deposits or accepting loans from outsiders and from anywhere. And be it not forgotten that this terrible right is considered safe in the hands of the native inhabitants of India, who are, however, not educated enough to enjoy the free political institutions of representative government that Canada has for more than two long generations. One would be disposed to think that under the circumstances Canadians

APPENDIX No. 3

should be as safe as the people of the dependency of India to be entrusted with the same freedom on economic grounds and be as reliable to use this right for their own benefit. The education of our farmers and artisans should be as good at least—a great many would rightly believe—far better than that of the poorer classes of India to whom this committee recommended to give by law the privilege to help themselves by co-operative credit associations. And the law so recommended was indeed passed, thanks to Lord Curzon, who took the matter in hand and pushed it vigorously.

The following quotation explains the personnel of this committee:—

‘The committee appointed under the orders of the government of India to consider the question of the establishment of agricultural banks to India, consisted of the Honourable Sir E. F. G. Law, K.C.M.G., as president; the Honourable Mr. F. A. Nicholson, C.I.E., I.C.S., member of the Board of Revenue in Madras, and additional member of the Council of the Governor General of India; Mr. J. B. Fuller, C.I.E., I.S.C., secretary to the government of India in the Department of Revenue and Agriculture; the Honourable Mr. J. Wilson, I.C.S., Settlement Commissioner in the Punjab and member of the Punjab Legislative Council; Mr. Reginald Murray, manager of the Commercial Bank of India, Calcutta, and Mr. H. Dupernex, I.C.S., District Judge, Cawnpore. The committee assembled at Simla, on June 1, 1901, and dissolved on July 10, after holding altogether sixteen meetings.’

Mr. R. E. V. Arbuthnot, under secretary to the government of India, in the Department of Revenue and Agriculture, was secretary to the committee.

This shows what authority must be attached to the findings of this committee so far as the basic principles involved are concerned, and what respect the conclusions arrived at deserve. Later on reference will be made to the work of this committee, by another quotation of great importance.

In 1892 the Governor in Council, desiring to investigate the possibility of introducing into the Presidency of Madras, a system of agricultural or other land banks, appointed Mr. Frederick Augustus Nicholson, for the purpose of carrying on this most important inquiry. In the preface to this most interesting and complete report covering many hundred pages, in two large volumes, the significant words here quoted are to be found:—

‘The following report has been written to the order of the Madras government as conveyed in G.O. dated 15th March, 1892. His Excellency Lord Wenlock being desirous of assisting the organization of rural credit through land and agricultural banks in this presidency, in view to the replacement of the individual money-lender and to the development of the economic condition of the country.’

This shows the importance of the mission entrusted to Mr. Nicholson, and the confidence reposed in him by the government of Madras, which confidence he has fully proved to be well founded by his very able and exhaustive report, the best and most extensive ever published on the subject of co-operation in such a field.

The governments of India are not the only ones that have thought proper and desirable, in the public interest, to use the immense resources at their disposal to inquire into this matter with a view to benefit their people by a thorough knowledge of all the details of the working of these institutions of thrift and credit. The Washington government as far back as 1892, the same year as the government of the Madras Presidency, took up the matter and through the authority of the Department of Agriculture, instituted an inquiry. Mr. Edward F. Peters, of the Office of the Statistician, prepared the report, extensively quoted elsewhere, after having, as the Statistician, J. R. Dodge, says in his letter of transmittal addressed to the Secretary of Agriculture, then the Hon. J. M. Rusk, ‘given an exhaustive study to the methods and results of these institutions.’

Resolutions passed by the ‘Congrès International du Crédit Populaire’ (International Congress), held in Paris in 1900, are also quoted upon questions of principle. This congress was presided over by Eugène Rostand, an eminent economist and

7 EDWARD VII., A. 1907

banker, having been president of the large Savings Bank of Marseilles, France, for over twenty years, and in which sat the leaders of this co-operative movement on credit in the different countries of Europe.

Messrs. Alphonse Courtois and A. Batbie are authorities on political economy, as well as J. E. Horn, whose book on banks is considered one of the most valuable contributions on banking, being accepted as a standard work on the subject.

M. Charles Rayneri, whose name appears, is an eminent co-operator in France, manager for over twenty years of such an institution called 'La Banque Populaire de Menton.' M. Rayneri is known throughout continental Europe as a reliable authority on all questions of co-operative credit.

The name of Luigi Luzzatti is also often mentioned in connection with the co-operative banking movement in Italy. Mr. Wolff considers him to be one of the highest, if not the highest, authority on co-operative credit, and his great ability on financial questions is so appreciated by his countrymen that twice he has had the honour of being called upon to assume the responsible position of Finance Minister of Italy, which position he has filled with much distinction to himself and advantage to that kingdom. He is called the father of the Italian co-operative credit associations, and his wonderful mastering of this question as well as his arduous labours for years have well earned for him this most flattering title. His authority on such a matter is universally recognized in Europe and appreciated on all sides as coming from a great master on questions of this character.

NECESSITY OF CO-OPERATIVE CREDIT IN CANADA.

Having thus made known the sources from which the following numerous extracts have been taken, the first question to be examined is whether or not this new form of association would be advantageous to our people generally in conferring, for instance, on the very large classes of workingmen and tillers of the soil, benefits that are denied them now. But to answer intelligently this question, it is necessary to examine in a very rapid survey, our credit organization and see whether it is as complete as it should be. On the top, so to speak, we have our banking system which ministers to the needs of our industries and trade on a large and medium scale. In another aspect and for other needs we have our loan companies, doing business on real estate mortgages, or other securities of a like substantial character; but there are still other needs for which we have now in Canada no organized credit. These needs are supposed to be provided for to a more or less extent by the worst sort of system, if it is at all a system, that of the broker, pawn-broker and private money-lender, generally known as the usurer for most of those people exact usurious rates for their services. The abuses under that system have grown to such a degree that laws have been passed to repress those abuses, but as experience has repeatedly shown elsewhere, will these laws prove of some avail in the majority of the cases, or even to any extent at all? Unfortunately one is bound to answer in the negative, as history shows that in every country usurers have always succeeded in violating every restriction put upon their nefarious trade. The same experience that teaches the comparatively uselessness of such measures shows conclusively that the real remedy, the only practical one after all, is the offering of money at reasonable rates, and the creation of a system whereby this can be effectually done.

No one can doubt that the evil referred to above exists in Canada, and that we have not what can be called organized credit in the same sense and to as perfect an extent as we possess in the two other branches here mentioned, viz.: those of banking and mortgage credits. The societies here advocated provide the practical machinery for the organization of the desired credit in the third branch. That such credit is needed is proven by the very existence of usurers, private money-lenders, brokers, so-called private bankers and pawn-brokers; these latter would not operate if the former were a mere fancy. Why are these brokers prospering in our cities alongside our numerous banks, if the joint stock banks can care for all these needs of credit? Is it not a striking evidence that there is a vacuum in our credit system?

APPENDIX No. 3

Co-operative credit is no imaginary scheme; it has already a history of half a century, and its record is one of wonderful success, everywhere it has taken a foothold. A glance at the statistics will convince anyone of its potentialities for good among the poor people, the artisans and small farmers. This need not be demonstrated here, as the quotations following contain proofs of this truth.

Being, therefore, in a position more or less similar to that in which were other countries before they adopted organized co-operative credit, why should we not follow their example to the extent of and in conformity with our wants?

Let us see now whether or not the arguments used in these countries to induce them to adopt this system of co-operative credit do apply to a considerable extent, or in a good many particular cases, wholly to our situation.

In his pamphlet intituled 'Co-operative Credit Banks,' a help alike economic and educational for the labouring and cultivating classes, Mr. Henry W. Wolff says for England:—

Are Co-operative Banks Wanted in this Country?

'There is one more point to consider, in conclusion. We have here a powerful instrument shown us for good which has worked results abroad, the record of which reads almost like a fairy tale. Is the employment of the same instrument practicable among ourselves, and is it desirable? I believe that it is. I believe, even, that it is distinctly called for—called for more particularly by evidence which shows that our public is instinctively feeling and groping for something of the same sort, realizing that it is wanted, vaguely grasping the merit of the principle, and seeking to apply it in an empiric way which has thus far led to significant but not very perfect results. We have need, insufficient employment, insufficiently cultivated land, insufficiently used opportunities. To find money, poor people go to the pawnbroker and the usurer.'

Imperfect Organizations of the same kind Existing Prove the Want.

'But they have advanced beyond that, as has been already shown. They form slate clubs, loan societies, funding clubs, self-help societies—in Edinburgh they have a "People's Bank," which, established mainly to enable workingmen to purchase their own houses, engages largely in real People's Bank business, mere lending, in a way rather different from that here indicated, but with very good results, never thus far, as Mr. Lochhead stated at the last co-operative congress, losing a penny, though the sum lent out both in building and personal loans amounted at New Year to £34,485. In none of these societies, which are, in point of fact, embryo co-operative credit banks, is any difficulty experienced in applying the methods necessary for co-operative banking, such as the provision of personal security by sureties. Sureties are readily forthcoming. Also, the experience of such institutions shows that here, as elsewhere, what are called "the poor," are in truth the best repayers. In the best organized of these societies the losses are practically nil, though the members be recruited from the poorest sections of the working classes, liable to frequent want of employment.'

The possibilities of Co-operative Banking in this Country.

'Here is a producing factor of the greatest power, the most beneficent action, the most educating effect, placed within our reach, the banking of that "greatest banker of the world," as Jules Simon has called him, "who trades with the mite of the poor." The upper strata of our social fabric may, as has been stated, be "over-banked." However, thus far no banking shaft has yet been sent down into the lower levels to tap the inexhaustible deposits of gold mingled with productive labour which lie hidden there. Into that depth, where possibly lie concealed materials for wealth, greater and more enduring by far than those which surface digging has yielded us, only co-operative banks can penetrate, to bring up their treasures and make them available to be utilized for the public good. That would undoubtedly be a great public benefit. Probably the time will come when we shall wonder how we ever managed to maintain our social well-being, to carry on our national economy without co-

7 EDWARD VII., A. 1907

operative banks, just as we are inclined to wonder now how we ever could do without railways, without tramways, without those many modern inventions which make available for "the million" the benefits of civilization, the use of which was long hopelessly barred to them, at a time when travelling, study, comfort, were the monopolies of the rich, as banking still is their monopoly to-day. Give "the million" that productive power which is to be found in the command of working capital, and though the millenium cannot be expected to arrive at once in consequence, there can be no doubt that many of our social and economic troubles will be mitigated, if not wholly relieved, that employment is likely to become more steady, and more remunerative, comforts are likely to become more attainable, therefore contentment may be expected to become more general and pauperism more circumscribed than they are now.'

In confirmation of the views here expressed by Mr. Wolff, we have a much higher authority in the opinion of a committee of the British House of Commons. After an inquiry of a minute character upon money lending in the United Kingdom, held in 1897 and 1898, and after having heard the evidence of several experts on co-operative credit societies, the committee said in their report upon this point:—

'Your committee are impressed with the extreme usefulness of these institutions, and they are of opinion that they meet a real want, especially in agricultural districts.'

Mr. J. R. Dodge, Statistician of the United States Department of Agriculture, testifies as follows in a letter written in 1892, to the Hon. J. M. Rusk, Secretary of Agriculture:—

'These people's banks have a success that justifies their existence, as they fill a virtual vacuum in banking opportunities for the agricultural and industrial classes. Perhaps equally needed in this country are such facilities for self-help, through small savings which are the basis of small loans to those who are by their circumstances practically excluded from the ordinary credits of the banks. Possibly such facilities here may lead to self-reliance, financial co-operation and thrift, and thus improve the condition of large numbers of men of limited means and isolated position who are now beyond the present stimulus to enterprise and economy of existing savings banks, national banks, trust companies, and other financial institutions.'

In his very valuable book, 'People's Banks,' Mr. Henry W. Wolff, speaking of England, writes on page 368:—

'Else, what keeps our pawnshops and our usurers busy? What has called our slate clubs, and funding clubs, and money clubs, and loan societies, and self-help societies, and civil service share and purchase societies into being? What has led so many of our friendly societies to avail themselves of the power given them of lending to members? What has prompted the Irish to set up their "loan boards," which in their elementary way are doing not a little good? Here we have the proof of a need and a demand actually evidenced in the existence of rudimentary institutions which supply it in a more or less inefficient way. For the most part these institutions are very insecure, often avowedly temporary institutions, which minister to need in a hand-to-mouth fashion. As a rule they have no funds of their own. They deal out the money which comes in by subscriptions, and which may be withdrawn to the last farthing any day. Hence their instability. They can grant no long loans, which are the most useful loans for men who, let us say, wish to set up in business, to purchase articles for agricultural use, or to pay off an old debt.'

'The slate clubs are, of course, very insignificant, and merely temporary concerns, but widely diffused. The loan societies, I am glad to say, are going altogether out of favour, and their number is rapidly dwindling. Last year only six new societies of this order were registered. The Act under which they are formed is a very inconvenient Act, and deservedly unpopular alike with the Treasury and with the magistrates, whose assistance is appealed to call in bad debts. They are so organized as to create no touch or mutual control among members. No borrower wishes it to be known that he has borrowed. As a matter of fact, nearly the entire management is committed to the secretary, who in many cases draws a substantial salary. Rates of

APPENDIX No. 3

interest are high, though disguised in the shape of commissions and special contributions tacked on to the usual 5 per cent for forty weeks, equal to 6½ per cent per annum, payable in advance. There are still about 350 of these societies in the kingdom, and it ought to be pointed out that they are composed of just the class of men who abroad group themselves together to much better purpose in people's banks. As they die out, their places are taken by "specially authorized" societies formed under the Friendly Societies Act, which are at any rate rather better organized, and by "lending societies" constituted under the Industrial and Provident Societies Act. There are about 245 of the former, and a very much smaller number—but doing a comparatively larger business—of the latter. The number of both is increasing. At best, these institutions are imperfect. Their prototypes, the original loan societies, formed under the Act of 1840, were authorized as "Friend of Labour Loan Societies." However, since their rules do not, like the rules of people's banks, prescribe a supervision over the employment of the loan, and money is accordingly generally borrowed for improvident purposes, which leads the borrower into enduring mischief, they richly deserve the nickname by which in fact they have become known, as "Enemy of labour loan societies." Under their faulty organization very much money has to be called in by legal proceedings. In 1890 there were no fewer than 3,052 summonses issued. On page 28, he says:—

'That hits a weak point in our economic system. We pride ourselves, on both sides of the political boundary line, upon our "popular" institutions, which make us, as we think, the most "democratic" nation in Europe. Nevertheless, in respect of the main supports of the two great divisions of our economic fabric we are distinctly anti-democratic. As the basis of agriculture we have land laws which, for good or for evil, are, from a democratic point of view, a century at least behind those of other countries. And as the basis of commerce we have credit still almost the monopoly of the rich. We do not, accordingly, know that which, thanks to their people's banks, the Germans and Italians have well learnt, namely, what an ample and practically inexhaustible resource of productive power there lies hidden in the labour, the frugality, the honesty of the nation's workers, as material for what Commendatore Luzzatti calls "capitalization"—just as people who have not seen rivers like the Danube or the Rhine, could not possibly estimate from the little rills and dribblets which go to make them up, what a vast volume of water may be collected from those insignificant sources. It is the object of the founders of "people's banks" to bring those scattered streamlets together, to give them aid and force, and by doing so to make the very atoms which compose them more fruitful, more productive—by the sense of responsibility awakened, the principles of business instilled, the knowledge of dealing with money and an appreciation of its productive power diffused. It is quite true, as Dr. Johnson unkindly reminded Goldsmith, that it takes 240 poor men's pence to make one capitalist's sovereign. But once the sovereign is so put together, it is a totally different sovereign from that taken out of the rich man's safe. It has behind it 240 wills, 240 pairs of watchful eyes, 240 thinking brains. It has, so to speak, become an animate sovereign, with prudence, energy, vigilance, diffused through all its parts. Every spring, every wire of the composite machine takes a personal interest in the collective doings, watching the other parts, guarding against loss and waste, correcting the slightest irregularity. And the more completely the distribution is carried out, the lower the "democratising" organism descends, so as to gather up from the lowest strata all available and useful elements, the more fully, so we see in the practical application of the principle abroad, does it realize its beneficent aim. Not without reason, accordingly, did Commendatore Luzzatti inscribe upon his banner, when he started on what proved to be a triumphal progress of economic success, the apt motto: *Aspirare a discendere*."

And on page 137:—

'Let me quote upon this point the report of the Lords and Commons Committee of 1826 on Scotch banking. "Any person," so says the report, "who applies to the bank for a cash credit is called upon to produce two or more competent securities, who are

jointly bound, and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities he is allowed to open a credit." "This system," so the report goes on, "has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct; and if they find that they are misconducting themselves, they withdraw the security." Here are two important elements of security indicated—establishment by inquiry of the borrower's trustworthiness, and control of his action of employment. There were at the time spoken of about 11,000 cash credits outstanding collectively for about six millions of money. In addition to the 11,000 borrowers, there were, as the evidence points out, between 30,000 and 40,000 persons liable for the loans, acting as checks and controllers; 30,000 or 40,000 pairs of eyes, directly interested in the case, watching the borrowers on behalf of the bank; 30,000 or 40,000 tongues to remind them of their duty, and warn them if they threatened to go wrong. That explains the whole satisfactory working of the system. Here are the two main pillars of co-operative credit recognized—joint liability and individual checking. The sureties become an intermediate body between capital and want, helping the latter, but also effectually safeguarding the former.

'Now, this is co-operative banking applied in a very halting and middle class sort of way, among people who possess property and also some commercial education. Our object is to dive deeper—in the words of Commendatore Luzzatti, *aspiriamo a discendere*—so we must proceed upon very much broader and more popular lines.'

On page 370 he gives the success of one such co-operative society as an evidence that that system answers the purpose for which it is advocated:—

'The Self-help Society of Ealing lent out in six years £5,028, and did not lose a penny. It is true that in respect of not quite £11 the sureties had to be called upon to make good their principals' default. But of that sum six was guaranteed by the vicar, who is considered fair game for robbing and who has in consequence very properly been disqualified for serving as surety again. I take it that these are very satisfactory results. And even in this elementary form the resort to self-government and quickened responsibility is found to have a directly educating effect. One member borrowed £2 from the Vicar, which he apparently never thought of repaying. He joined the Self-help Society, borrowed from it, and paid punctually. "How is it that you don't think of repaying me?" one day asked the Vicar. "Ah, you're the Vicar, you don't want it," was the reply. That shows the difference between private lending and co-operative lending, as it were, in a nutshell. And here, in this society, obviously, we have all the elements of a people's bank in germ, and a people's bank, I hope the Self-help Society will one day become.'

Speaking of share purchase and advance societies, a peculiar kind of association in existence in England among certain classes, he adds on page 371:—

'Scotland possesses a far more democratic co-operative credit institution in its "People's Bank" of Edinburgh, a very useful society, formed to enable working folk to purchase their own "flats." Hence the security which is pledged, generally speaking, consists of realty—though the society has taken power to lend on personal security also, and to a very small extent avails itself of that power. It raises its money by £1 shares, payable at the holder's option by half-crown instalments. Beginning its work in a very modest way in 1889, it has in six years crept up to a share capital subscribed of £2,604 (only £1,348 paid up) with a reserve fund of £150. On December 31 last it had £12,598.8½s. outstanding in advances to members, besides £886.19s.11d. outstanding on overdrafts, and £71 1s. 10d. advanced on bills, therefore £13,536 13s. 5½d. lent out in all. Its lending is done at varying rates, ranging now from 3½ to 5 per cent, according to the quality of the security given. The business has proved steady and safe, and unquestionably a convenience to the members who apply for loans. A fact particularly deserving of notice in this, that, according to the testimony of the secretary, the whole of the money advanced was lent out to people "who would not

APPENDIX No. 3

have approached the larger banks, which are generally looked upon as aristocratic institutions." This makes thoroughly good what *Chamber's Journal* wrote in 1883:—

'There is a great blank or want of intermediate banks between the large joint-stock banks and the savings banks. We have no banks to correspond with the People's Bank of Germany, or the moderate sized national banks of the United States. There is a large, industrious and respectable class of small farmers, tradesmen, shopkeepers, and others who are left out in the cold. There should be popular banks and banking facilities provided for the numerous class of small customers who require a bank to deposit their savings in, and at the same time to turn their little money to the best account; also, on the other hand, to accommodate those who may want to borrow small sums occasionally for stocking their farms or their shops.'

'There should be such banks. The instances quoted conclusively prove the want of them, and they also show that nature, making its bidding heard through the unerring voice of instinct, leads those among us, who are in want of money, to seek relief, in principle, by precisely the same methods by which foreigners have found it. Every one of the societies described may be considered a people's bank in embryo—a people's bank in the rough, hewn out of the same material, but not yet properly squared and put together, answering its purpose as does a log-hut as compared with a well-constructed building—in a partial, elementary and temporary way.'

Hon. Mr. F. A. Nicholson, in his exhaustive report prepared with a view to introduce this form of credit in India, comes to the same conclusion, as shown by these lines:—

'It is, then, essential to discover methods of credit which, while supplying capital at half of present rates, will equally tend to keep the borrowing down; it is believed and urged that co-operative credit societies or village banks will not only achieve or tend to achieve these objects, but will equally develop many desirable and even essential characteristics such as those of thrift, prudence, self and mutual help, will initiate those forms of co-operation which tend to assure to each man the full value of his labour, and those stimulating ideas of progress so greatly needed by a conservative and isolated peasantry. Such societies will, as in Germany and Italy, everywhere form centres of economic and moral progress (De Laveleye).'

Mr. E. A. Pratt, in his able book 'On Organization of Agriculture,' published in 1904, does not hesitate to affirm that co-operative credit is a necessity for agricultural England. On page 310 he says:—

'Another factor in the situation is the absolute need that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of British agriculturists in general may be more favourable than that of the peasantry in various other countries where an easy agricultural credit was established years ago, the extreme desirability of such credit being available in Great Britain, also, is beyond any possible doubt.

'Happily, here again a good commencement has been made by the Co-operative Banks Association, whose headquarters are at 29, Old Queen street, Westminster S.W. The purpose of this association is to establish both town and country co-operative banks, the former being registered under the Industrial and Provident Societies Acts, and issuing £1 shares, paid for in weekly instalments of 6d.; while the latter are registered under the Friendly Societies Act, and borrow money from the Central Banks Committee on the collective credit of the members as the town banks do on the credit of their shares for the purpose of making small advances for productive purposes. These country co-operative banks are, in fact, of that Raiffeisen type which has already conferred such inestimable benefits on so many countries abroad, and their adaptability to the requirements of the small cultivator, the village tradesman, and the labourer in the rural districts of England has been abundantly proved by the eleven village banks which have already been established, four of them being in Leicestershire, two in Worcestershire, two in Norfolk, and one each in Hampshire, Not-

tinghamshire and Leicestershire. Where these banks exist there is no need for individuals of the classes mentioned to resort to the professional money-lender, and loans of from £2 to £10 or £20 can be readily obtained by honest and deserving toilers for the purchase of live stock, fertilizers, or implements, the repairing of glass-houses and other purposes. The little timely help thus granted has, in many instances, been of practical service, while in every case the instalments have been punctually repaid. There is room for hundreds more of such village banks in England, and until they have been established no complete system of agricultural organization can be hoped for. While, however, village banks of this type are calculated to fully meet the requirements of the "small" agriculturists, they are not likely, on their present basis, to answer the purposes of farmers who conduct operations on a large or a fairly large scale, and it is foreseen that for them a different kind of agricultural credit will have to be created. To this point I shall revert in the concluding chapter.

And on page 375:—

'So I place in the forefront my recommendations that every encouragement should be given to the efforts already being made to promote combination among the British farmers. But experience has already shown that no really effective scheme of agricultural organization on a widespread basis can be carried out, even in Great Britain, unless supplemented by some practical system of co-operative agricultural credit banks, arranged on so comprehensive a scale as to meet the varying wants of all our agricultural classes. There may not be in England, Wales, and Scotland so large a proportion as in Ireland and in various continental countries of those very small cultivators to whom the loan of £5 or £6 from a co-operative village bank would be a great personal convenience. A certain demand for such facilities there undoubtedly is on the part of labourers and very small producers, and such demand the Co-operative Banks Association should, with adequate support, be well able to meet. But a wider basis of operations than this is required to answer the requirements of farmers who would want to borrow more substantial sums, and might find it an inestimable benefit if they could obtain them from a co-operative credit bank.

'Still more effectually would such a bank facilitate the operations of an agricultural association, which would secure loans on the individual and collective credit of its members for the purchase of the necessaries required by them, and receive payment in such convenient instalments as might be arranged. Especially could costly agricultural machinery be thus obtained by an association of farmers without their being required to advance any capital of their own, and without, in fact, their paying anything except the stipulated sums for hire, by means of which the sum expended would be eventually repaid. While, therefore, agricultural science and the economic situation of to-day have rendered essential a greater resort to agricultural machinery, if only as a means of reducing the cost of production, agricultural combination has brought the use of even the costliest machines within the reach of the humblest cultivator, placing him in practically the same position, in this regard, as the most prosperous of his neighbours.

'Whether the British farmer acts individually or collectively, the financial question calls, indeed, for serious consideration. It might even be argued that until the financial problems which arise have been satisfactorily disposed of, no great progress at all will be made. In almost every agricultural district in Great Britain farmers or cultivators of the smaller class are practically in the hands of commission men or brokers who advance money to them before their crops are ready, and afterwards get the produce at substantially less than its legitimate value, because of the financial obligations which the growers incurred towards them at a time when they were pressed for money. Not only does the individual farmer suffer, but the market price of the commodity in question is affected. Illustrations of these practices could especially be drawn from the hop-producing districts of Surrey and Hampshire, where it is no unusual thing for the hop growers who begin with obtaining advances from the dealers to finish by realizing about three-fourths of the actual value of their crops. An agricultural co-operative association, backed up by an agricultural credit bank, could meet this evil by itself under-

APPENDIX No. 3

taking the sale of the produce, advancing to the farmer the greater part of the amount which the crop might be expected to realize, and paying the balance to him—less a moderate charge for expenses—when the transaction had been completed. In this way the grower would no longer be at the mercy of the dealers, better results would be obtained for the sale of individual lots, and there would, also, be a greater prospect of the market prices being maintained, in which case the larger class of growers would benefit as well as the small ones. Reference to the chapter on “Hungary” will show how effectively the system here described has been carried out in that country in regard to the production and sale of wheat.

‘There is no need for me to enter now upon any detailed statement concerning the precise lines to be followed in the formation of those co-operative credit banks which would provide the good financial resources needed by the Agricultural Co-operative Associations to carry out the above-mentioned policy of defence, in addition to the other arrangements in respect to purchase, &c. But on the question of ways and means I would commend to those who are interested in this branch of the subject a perusal, or even re-perusal, of the chapter on the position in Italy, where, as I have explained, the savings effected by the artisans in the towns are rendered available for the purpose of loans to agriculturists in the district in which they have been obtained, instead of being sent away to be invested in government securities, or to be put into, perhaps, dubious foreign speculations. The financial position of Italy is, of course, altogether different from that of Great Britain; but if, for instance, the deposits made in the Post Office Savings Bank by the working classes in one of our great industrial centres could, under some absolutely secure system, be utilized to encourage the starting of co-operative credit banks in the surrounding agricultural districts, the result would be only to confer a great advantage on the farmers, and not only to improve the general position of agriculture, but also to produce an increased demand for agricultural machinery, &c., the supply of which would mean that the artisans who had saved the money would get not only as good a rate of interest as they do at present, but a bonus thereon in the form of more employment.’

Mr. E. T. Peters writes as follows, on page 15 of his book ‘Co-operative Credit Associations in certain European Countries’ :—

‘The success of the German credit unions and other co-operative institutions of credit in the performance of the particular function here under consideration—that of supplying credit on reasonable terms in the smaller industries, rural as well as urban—indicates that the enormous rates of interest from which these associations are affording relief did not arise from any exceptional risks to capital necessarily inherent in its employment in the smaller industries, but from the want of that organization of credit which existed elsewhere. Placed on an equality with the larger industries in this particular, the smaller ones could at any rate stand on their intrinsic economic merits, and would only be driven to the wall in cases where the methods of production which they used were on the whole economically inferior. The fact that in agriculture and horticulture there is still a pretty wide field in which production on a small or moderate scale appears to be at least as well adapted to success as that carried on in the larger class of enterprises, may perhaps explain the circumstance that rural industry has profited by co-operative banking to an extent not foreseen in the inception of that system.’

And on page 25 :—

‘In short, by such institutions as the people’s banks credit is organized among the poorer classes, borrower and lender being provided with facilities for the mutual supply of each other’s wants analogous to those provided by the larger financial institutions for the convenience of merchants, manufacturers, and the larger capitalists generally. In his report for 1872, on the German industrial and economic associations founded on self-help, Schulze Delitzsch observes, and in doing so keeps far within the truth, that, if traffic conducted on a large scale had been limited to the individual means of those by whom it is carried on, it would not have developed one-half of its

actual power; and he shows how the people's banks opened to the smaller lines of business, similar sources of credit to those which had theretofore been almost monopolized by the larger ones.'

M. Charles Rayneri, a gentleman standing high in the co-operative credit world of France, one who has very attentively studied this question, could assert in a speech delivered before such a distinguished audience as the one assembled in Paris in 1900, to hold an International Congress for the special purposes of studying and of specially comparing notes on the movement of co-operation in all countries:—

'It is wrong to pretend that ordinary financial institutions can satisfy the needs of the interesting class of customers that exact reports of a special character, almost of a private nature, and dare not enter those imposing establishments. In the end only two recourses are open: usury or pawn-shops. The former is making enormous inroads; it wears out and exhausts the humble labourers. The latter supply statistics that are more and more painful and their customers consist, for the greater part, of the elements that form the large profits of the co-operative societies. In Paris, itself, the four-fifths of the borrowers belong to the category of traders, workmen, and employees. The pawn-shop is the sole lending establishment accessible to the labouring classes in a time which, very justly, boasts of having achieved important progress in the art of lending. These establishments no longer exist to-day, and it is full time to oppose them with vigorous co-operative organizations which, giving credit to the man and to his qualities, will constitute shrines of moral and economic redemption for the people.

'It may, perhaps, be said that popular banks are useless, since the other banks serve the same purposes. Still, the countries of which we have just spoken are, as well as we, and perhaps better than we are, supplied with ordinary banks, performing, often on a larger scale than with us, the services that our banks render.

'We must, therefore, suppose that the popular banks have a special sphere of action to which our French institutions of credit do not correspond.

'Before going further, here are a few preliminary explanations regarding the words "popular" and "co-operative."

'We need not dwell too long on the consideration that if, in a democracy, all persons form part of the people, from the highest in social rank, in talents or in wealth, to the most lowly, custom, however, applies the adjective popular to matters that specially interest the greater number, especially those less favoured by fortune; that in this sense we say: "a popular theatre, a popular meeting." But let us explain in a less off-hand way the meaning of the words:—Why say "popular bank," "co-operative association"? Why not simply "bank," or "association"? Do different principles apply to the one or the other? Would you pretend, might we not ask you, that for the use of the labourers there is one political economic policy and for that of the employers there is another one? No. The laws of economy are universal, both as to time and space. They do not change, neither with the colour of the skin, nor on account of religious creeds, nor because of political systems, nor even—without offence to Montesquieu—in consequence of climate. They are one, as is their sister, physical law. But if the principles never vary, the methods of applying them may, according to the sphere in which they act, differ. It is thus that the justices of the peace, popular courts created for small cases and humble people, avoiding costs and, what is often more important, travel and loss of time, decide nevertheless as do all other courts, by referring to the same codes and applying the same laws. It is only the form that changes.

'From the expression let us turn to the matter. "A co-operative association" is one each member of which, being of moderate means, is at once a customer and a partner. It is mutual, each one giving and taking—at least in law, if not always in practice. Its aim is not benevolent but, with previous compensation, the enjoyment of advantages fixed by law.'

And further on; pages 4 and 5:—

'The object of the credit is to cause a useful circulation of capital, making it pass

APPENDIX No. 3

through the most experienced hands. I cannot, let us suppose, get more than 4 per cent on my capital, while my neighbour, being more clever, but having no capital, could, with like risk (*a sine qua non* condition), get 6 per cent on it. I lend to him, he gives me 5 per cent. Each one of us gains 1 per cent, and the association (or partnership) gains 2 per cent on the capital.

'The credit thus serves to better classify the capital; it does no more, but it does no less, and if free it contributes largely to the increase of public prosperity. It should, moreover, aid only production. All credits of non-productive results are fatal, since, without compensation they draw on the future and help the association to grow poorer.

'But what about pity, commiseration? Here is a good workman, with wife and children and a good record. He has no work and his funds are exhausted. He knocks at the door of the popular bank and asks for an advance on the future, to get bread for his care and himself, until he finds work. Will you reject his petition? Why, great heavens, yes! As a popular bank, should we pass for people with sentiment? Why, great not to the bank he should apply in this case, no more than he would, when well, apply to the hospital; it is to a mutual association, if he had any forethought; if none such exists, he should apply to a benevolent society. We cannot too often repeat it, a popular bank, to have life, must be an interested business. Charitable societies, and above all, benevolent institutions, are disinterested in the division of their resources; such is their principle. A popular bank cannot prosper, nor even live, and cannot, therefore, render the services that belong to its sphere, except if it be managed strictly and with all the rigour of its principles. The past failures of these institutions are due, in great part, to a forgetfulness of this saving spirit of direction.

'For example, a workwoman wants to buy a sewing-machine to facilitate her work. If the amount needed for the purchase would be loaned her she would be sure to return it in a year at most. In view of the short delay in the loan there would be no difficulty in giving her the advance, provided, however, that the total amount used for that kind of transaction be limited to a figure both provided for and reasonable.

'Mr. Léon d'Andrimont tells of a baker, who rented, to carry his bread from house to house, a small cart for 30 cents per day. He went to the popular bank at Liège; the latter advanced him 100 francs which he used to buy a cart. He economized the cost of the rent of his vehicle; he carefully laid that saving aside, and every three months he came and deposited in the bank, to diminish his loan; at the end of a year he had completely settled his debt, and besides the cart had become his property.'

Mr. Courtois adds that these instances show conclusively the necessity of such organized co-operative credit for the working classes.

BENEFITS OF CO-OPERATIVE SAVINGS AND CREDIT ASSOCIATIONS.

The benefits to be derived from co-operation of this form are numerous and undeniable. They are singled out in terms that admit of no possible doubt by all those who have studied this question and have given to it a fair and unprejudiced consideration. The results have convinced all those who have taken the trouble to examine them that co-operation does confer the greatest possible benefits upon the poorer classes without doing any injury to any one outside these classes; nay, more, in doing good to all the community in which such associations are working. Here are the evidence of the leading authorities on the subject, either individuals or public bodies:—

On page 47 of the pamphlet already quoted, 'Co-operative Credit Banks,' Mr. Henry W. Wolff says:

'Credit representing a volume of possibly £200,000,000 a year.—But where they exist they have set flowing a current of new working capital, capital drawn from the resources of the money market, the accumulated wealth of the nation, available for fructifying uses, watering the deserts of insufficient economy with streams of treasure, which, seeing that in Germany 1,055 of the largest co-operative banks lend out annually about £30,000,000, I do not believe that I have over-estimated at about £200,000,000 a year. That is not money realized, but money working in people's hands, at points of the economic and social fabric where it is most wanted,

7 EDWARD VII., A. 1907

and where, while doing socially greatest good, it produces economically the largest effect. Wherever there is a people's bank or a village bank established, sufficiently strong, even if it be not of the best of its kind, the small shopkeeper, the artisan, the workingman, the small cultivator, need not miss an opportunity of earning or saving for want of ready money. Should an artisan want to buy materials for his trade, or a new set of tools, or should he have to tide over a period before he can realize the reward due for his work; should a working woman wish to buy a sewing machine to work with, or to purchase furniture or groceries cheaply for cash, instead of at an extravagant price for credit; should a peasant desire to purchase a pig, or fertilizers; should a poor man have the ambition to acquire a house of his own—provided that these people can show that they are in a position to take the liability involved upon themselves, all these wishes, all these ambitions, may be easily gratified. The money is available for them; and it is available in the easiest as well as the cheapest way. If their case be a good one, they may make the purchase repay its cost out of its own production or economy, and so are freed of all care with regard to providing the money. There are thousands of examples of this—of articles bought, remaining the purchaser's own, valuable acquisitions, without the purchaser ever having been required to put his hand into his pocket. What an enormous boon this has proved and is proving in a constantly increasing volume to the large mass of people who have to support their life by working and earning, need not be told.

And on page 48:—

'Before the village banks became a power, agricultural co-operation was absolutely unknown in Germany and in Italy. The same might almost be said of France—for although agricultural co-operation generally was begun concurrently in respect of most of its branches, the supply of co-operative credit, rightly regarded as the driving-wheel of the entire machinery, was, as a rule, incorporated in it from the outset as the most essential feature. In Germany and Italy, co-operation in agriculture was not until co-operative banks grew strong. Now, in Germany, it has by a long way outstripped our own. It may be seen stirring and bustling everywhere. Co-operative credit raises up co-operative dairies, not by the score but by the hundred, increasing the yield credited to each producing member considerably, providing the money for starting, which is gradually paid off at easy rates. Co-operative credit raises up co-operative wine-presses, which return the cultivator twice the price for his grapes that he could obtain by private pressing, and return it him in cash. Co-operative credit raises up and sustains co-operative workshops, in which workmen grouping themselves together, turn their labour to considerably better account than they could do by employment, each by himself under a master, and secures them in addition the invaluable boon of independence. It helps the navvies and stonemasons of Italy to form strong associations which practically regulate the labour market, improve wages, repress the employment of children in unhealthy occupations, as in the weeding of the pestiferous rice-swamps. Co-operative credit helps people to establish co-operative insurance. There are other similar uses to which it readily lends itself. The supply of money is economically what the supply of water and sunshine is in agriculture. It lends itself to the production of practically anything.'

In his book on 'People's Banks,' Mr. Wolff writes as follows:—

'In 1874 the late Emperor William appointed a Royal Commission to inquire into its work, presided over by the late Professor Nasse, and having Dr. Siemens for a member. The report, published in 1875, proved so favourable, that the banks have from that time forward counted the Imperial family among their warmest patrons, including the Empress Frederick, who has more than once given proof of her interest. The late Emperor William testified his approbation by a gift of £1,500 from his privy purse, to which his grandson has recently added another £1,000. Among the evidence collected by the commission mentioned occur the statement already referred to of the Rhenish parson, who confessed that the Raiffeisen bank in his parish had done far more to raise the moral tone among his parishioners than all his ministrations, and

APPENDIX No. 3

the deposition of the presiding judge of the Court of Neuwied, which shows how materially litigation has diminished in his district; owing to the conveniences afforded, and the good principles instilled, by the local Raiffeisen Loan Bank. Those good effects have been sustained. In 1886 the Diet of Lower Austria sent two experts to inquire into the system, who expressed themselves so entirely satisfied of its merits, that that diet and other diets of the Austrian Empire following in its footsteps, at once resolved to encourage the formation of Raiffeisen associations in their several provinces, and backed that resolution with grants of money. In Saxony, in Baden, in Hesse, in most provinces of Prussia, governments are giving proof of their desire to have these banks multiplied.'

Again, on page 357:—

'That is not the result in the creative work accomplished upon which I should wish to lay greatest stress. I should be disposed to set an even higher value upon the quality, than upon the mere quantity of the work done upon the reaching down to the very humblest and necessitous, whom nothing else would help, and raising him by education and by training to business ways, in addition to providing him with means for turning such ways to account. To the application of this power it appears, moreover, in truth impossible to set any limits. Its raw material abounds wherever there is opportunity for work. Its opportunity for converting that material into money's worth, by the specific expedient of making it men's interest to be business-like and honest, exists wherever there is need. To my mind there has never been a more prolific source of potential temporal good placed at the disposal of those who are dependent upon labour. For to them co-operative banking means, if they choose to profit by its gifts, not democratisation of credit only, but, by the help of democratised credit, the democratisation of production also, the securing to the toiler of the full reward for his labour and emancipation.'

And on page 358:—

'Do not let us quarrel over the legitimacy of such a change. It will never do away with capitalist enterprise. It will never bring about the establishment of an economic ochlocracy. But it may open a fair field for capacity and industry, and the proverbial "career" to "talent" in the very poorest. It would unbuckle the knapsack of the soldier in the great industrial army, in which, according to tradition, lies concealed the marshal's bâton. To a nation it must mean much more. It means—or at any rate, it may mean—concurrently with democratisation, an indefinite increase of production, a wholesale mobilisation of productive forces, fuller satisfaction to the toiler without additional taxation of any one, diminution of want, a diffusion of prosperity, to a very great extent, the disappearance of economic strife, education, elevation, the making the entire community richer, happier, better.'

On page 288:—

'Belgium had its struggling small tradesman, its moneyless cultivator of a small holding, its artisan, its itinerant dealer in cheap wares. M. d'Andrimont tells of a hawking baker whom he found in Liège, hiring his barrows at the rate of three pence a day. A people's bank afterwards enabled the man to purchase the barrow out and out, by instalments of the very amount which he had been paying in hire, in less than a year, and to find himself afterwards every year £4. 10s. in pocket. Of course, there are thousands of similar cases. Fortunately for the classes spoken of, M. Léon d'Andrimont, a member of an influential family, had an opportunity of witnessing in Germany the marvels which co-operative banking was there bringing forth for equally necessitous folk, under the inspiring leadership of Schulze-Delitzsch.'

On page 388:—

'A little time after, when its advantages came to be understood, and loans were rather freely applied for, its embarrassment proved the other way. The borrowers' promissory notes, which abroad are employed as a means of raising cash by being discounted, could not be so passed on, because they were made repayable by instalments.

7 EDWARD VII., A. 1907

Eventually money came in in the shape of deposits, and then a local bank accorded an overdraft. By the end of the year, April to December, the number of members had risen to a hundred, holding collectively 425 shares. Four non-members had deposited £295 10s. The bank had advanced in all £624 17s. in twenty-eight loans, ranging from £1 10s. to £70.'

And again, on page 391:—

'Your bank,' so writes the public auditor, Mr. Thomas Scott, in his report, 'has made its way amongst the people without solicitation or advertisement. It was an experiment. Your proceedings were of necessity of a tentative character, and I am bound to say they have been conducted with marked intelligence. You pioneer bank can now be taken as an example over the country. It illustrates clearly the unspeakable benefit which may be conferred on the honest poor by co-operative banks. Without them co-operation is to hundreds of thousands of the people an impossible thing. It is, therefore, not extravagant to say that the modest and unpretentious co-operative village bank ought to be regarded as the mainspring of the whole movement.'

Here is now the weighty evidence of the committee appointed by the Governor General of India in 1901. After having thoroughly studied the question and having given to it all possible attention and care, so convinced were they of the immense benefits to be derived from the working of this form of co-operation, that the members of that committee unanimously concluded, on page 8, their very favourable, almost enthusiastic report, by the following words that show how far they were ready to go to insure to India the advantages of credit co-operation:—

'Some long time must yet elapse before any societies of the kind which we have indicated can be considered as having passed out of the experimental stage. Any opinion as to the ultimate thrift and alleviating the burden of agricultural debt can be little more than a matter of conjecture. Lengthened experience alone can show whether the natives of India are prepared to follow the example of their western brethren in their appreciation of the advantages of co-operation. We are, however, convinced that the experiment is worthy of every encouragement and of a prolonged trial, and we believe that the lines which we have indicated are those which offer the most reasonable hopes of success.'

I will show later on, by a very recent information, that this expectation is to-day fully borne out by the facts.

On page 18, Mr. Peters, of the United States Department of Agriculture, says:—

'It is by no means intended to present the system here considered, or any form of co-operative action, as a social panacea; but whatever other agencies may need to be invoked for the promotion of economic equity or general social well-being, it is within safe bounds to say that the practical results which co-operation has already yielded prove it to be one of the active, growing and beneficent forces of modern economic life; and this is, perhaps, nowhere more clearly manifest than in the working of those associations of credit of which a brief account will be found in the following pages.'

And on page 116:—

'That there should, on the whole, be a larger overflow of capital from one district, one region, or even one country to another is no doubt inevitable, and so far as it occurs under normal conditions there is nothing in it to deprecate; but it is a thing to be deprecated when capital sorely wanted for the supply of local needs is sent half the world's circumference away in search of an investment merely for the want of a channel of communication between its owners and their near neighbours. Such a channel is to a great extent supplied by institutions like the people's banks of Europe and the building and loan associations of the United States, and the more these institutions are perfected, adapted to varying wants, and disseminated among the people the more will the present top-heavy fabric of modern credit be broadened in its foundation and narrowed in its overhanging superstructure. In fact, few things could

APPENDIX No. 3

do as much to guard the business world against the financial crises which so frequently paralyze its industries as the general existence of institutions which tend to retain within the neighbourhood of its origin all the capital for which there is a potential local demand, and thus to keep it as fully as possible under the continued oversight of its owners.'

Under the title of 'Advantages of these banks over money-lenders,' Hon. Mr. Nicholson, in his very exhaustive report on this subject, sets forth in detail the benefits spoken of here. The following quotations are selected from a great number that could be given with equal force:—

On page 16, he says:

'The main advantages of a bank over a money-lender are not that it will, in itself, eliminate indebtedness, but that (1) it encourages thrift and productivity by the gathering of large and small savings otherwise idle; (2) that its principles are fixed, its methods public, and the results of borrowing from it calculable; (3) that it will ordinarily lend on such terms that, when distress comes, as it must frequently come, to small farmers, they can borrow from it with the hope of extrication at no great interval, whereas with the money-lender there is little hope, so that debt means continuous debt. While, then, the idea that the establishment of agricultural banks is to prove a panacea for indebtedness is a delusion, it is perfectly true that they are essential factors in national progress; it is, however, equally true that the amount and character of indebtedness and the results to national character depend largely upon the foundation principles and methods of the bank.

'Credit, to be safe and sanative, must be preceded by thrift; not merely in the sense that the capital to be lent first must be saved, but that it is the man who saves who is the man that ought to get and can use credit. One great cause of individual unthrift is the absence of facilities for thrift, of places for the due and productive custody of savings; if these are provided at *each man's door*, saving will take the place of expenditure, productive deposits that of idle hoarding. Hence the village savings bank is the primary desideratum of Indian rural banking, and every effort must be made to place facilities for saving in every village.'

On page 34:—

'Free and unrestricted credit to agriculturists in isolation, is a positive danger; credit in association, guided and influenced in its use by the wiser counsels, by the increased self-respect and self-restraint, which association with the wiser and more prudent in mutual self-developed, self-managed association, produces, is a powerful restorative, an educative and disciplinary agent, a national necessity.

'Hence it is not merely cheap and facile credit that is needed; it is not money lent on easy terms without regard to the use made of the money; it is guarded, guided and productive credit that is the necessity of the times; the form which organized credit must take must in itself be a safeguard, a guide and a restraint, so that credit may be used not for mere extravagance or even without intelligent foresight, but only in such manner as will conduce to prosperity and production. Credit which takes no heed of the borrower, no care for his well-being, is not the credit that this study contemplates; only that credit is sought which develops the man and the nation; it is the development of men, not of banks, of banks only as developing men, that this study desires to facilitate the promotion of thrift, the utilization of petty and idle hoards in productive industry, the necessity for drawing from larger sources of capital, the ability to grant long-term loans and to receive loans back in small instalments; the public and open methods of business; the general absence of fraud and chicane in dealing with borrowers; the absence of desire to possess themselves of the lands of their debtors, or to acquire undue influence over them for selfish ends; the tendency to grant loans chiefly for productive purposes for the sake, however, not of the borrower, but of their own security; such are advantages common to all institutions of organized credit. But the greatest of all advantages is found in that class of banks

7 EDWARD VII., A. 1907

called co-operative, where the advancement of the members, the borrowers, is the principal object of the bank and not the mere earning of dividends on capital, still less the exploitation of the borrower. The moral and material effect of association in a really co-operative bank is marvellous; the new power obtained by the members, the educative influence exerted by the bank in promoting improvements and discouraging extravagance, the continuous impulse towards further developments, not merely in credit, but in all manner of social and industrial improvements, which the principle of association develops, proclaim the co-operative societies of Europe and America as factors of incalculable value in social development. It is this reason above all others that is of weight in determining whether credit should remain a monopoly of the private lender, or should develop by organized association. It is not every organized credit that has all these merits; joint stock credit is good, but it lacks the weightiest of all reasons, that of the effect of mutual help in co-operative associations. Joint stock credit has the interests of lender and borrower in a manner opposed while in many such organizations, it is the special interests and often object of a body of men to exploit borrowers and depositors for the sake of private gain. Joint stock credit attains its real development only when its own interests are absolutely bound up with the interests of the community, when the community is at the same time the promoting body and the clientèle; in other words, when it is co-operative.

It is assumed, then, as axiomatic, that the establishment of an organized system of banking, especially co-operative, is desirable and even necessary, to promote the useful accumulation of capital, to develop the qualities of thrift and prudence, to assist industries and especially agriculture by long term loans, to turn credit into productive channels, and to stimulate into activity the great virtues of self and mutual help.

On page 35:—

‘That which is required jointly by both lender and borrower may be summed up in the word “proximity.” The great lesson of European credit is that without absolute proximity there is no such thing as credit on any reasonable terms for the small folk; hardly, indeed, is there credit at all. Until of late only one form of credit satisfied this postulate, viz.: that of the private money-lender; his credit satisfies the postulate of proximity, but not necessarily any other postulate.

‘The borrowers contemplated by this study are the men of the villages, and the loans those required by small and obscure folk; no bank of any ordinary type can get down to the village, ascertain the status of the small farmer and the security he can offer; the expenses of the inquiry and the risks of the loan would render the necessary cost of any loan far higher than that of the local and proximate money-lender, who, probably a villager himself, certainly with a life-long connection with the village clientèle, knows his men and their position better than they themselves.

‘Proximity involving knowledge, mutual confidence, ease and cheapness of inquiry is an essential; without proximity no credit.’

And on page 37:—

‘Still more is this the case when the bank is of the co-operative class, in which men and not money are the objects of association; the interest of the individual borrower is the interest of the bank, since the mass of the borrowers is also the mass of members, while the main principle of co-operative association is the promotion of production, thrift and mutual help among members. Hence it is clear that the safety of the borrower is promoted by banks of all classes, but chiefly by those of the co-operative type.

‘This is still more the case with the co-operative form of bank for since the increasing welfare of its members is its particular *raison d’être*, the productive use of its loans is in all cases urged upon members, who are deliberately dissuaded by precept, by example, by the occult as well as by the direct influence of associations of mutual help formed by the better and more prudent class of industrials, from borrowings which tend to embarrassment instead of development.’

APPENDIX No. 3

The International Congress of Paris, held in 1900, passed the following resolutions:—

‘Co-operative credit plays a beneficent part in the public economy of a country, by developing savings the smallest particles whereof it gathers up, by imparting to it usefulness both for the locality and for the working people, by contributing to lower the cost of money, by assisting the ordinary banks through its more accessible branches, by satisfying the most moderate needs of personal credit, by creating economic strength by a union of the weaker elements.’

Again:—

‘The co-operative credit association can place personal credit within reach of the humblest workmen. The congress recommends, as a means of application, the following order: current account advances to productive co-operative societies, notably for the purchase or sale in common of goods, and to professional syndicates the discounting of clerks’ notes by accepted drafts, the discounting of small workmen’s utensils with guarantee, the sale at cost price and on monthly payments of workmen’s tools, small advances at favoured rates and payable from funds specially raised on the profits, and for the benefit of the poorer people a gratuitous loan on honour or at a low interest, with repayments in small sums, on condition that such loan be prudently carried on, in preference to the intervention of mutual aid societies or of syndicates, and, if possible, administered by commissions wherein the working element prevails.’

Revd. Mr. Müller, president of l’Union des Caisses Raiffeisen de credit rural de la Basse-Alsace, one of the members of this congress, expressed himself as follows:—

‘The local savings banks (caisses) of Alsace-Lorraine are very prosperous; the loans and deposits are very numerous; there exist many local savings banks in villages of from 1,000 to 2,000 inhabitants that since their foundation have 1, 2, 3, 4 and even 5 millions of francs taken in and given out. The transactions of the Guebuiller savings bank (Haute-Alsace), for example, exceed one million francs per year. The money derived from the work of the people is thus used to establish the necessary credit for small or medium cultivation (farmers).’

Mr. J. Blondel, professor at ‘l’Ecole des Hautes Etudes Commerciales de France,’ said at this congress:—

‘It had the result not only of supplying a cure for the crying evils from which the rural populations of Germany suffered, but it has been a powerful educative means in regard to saving, in creating an initiative spirit, a feeling of responsibility and co-operation, and has set up a barrier against the progress of collectivism. The idea of a moral amelioration is apparent in all the details of the organization of rural savings banks, in the gratuitous operations, in the specifying of the use made of the sums advanced, which prevents squandering and leaves the directors of the banks with considerable authority over their debtors.’

In his preface to the book of Mr. A. Batbie, ‘Le Crédit Populaire,’ such an eminent authority as J. E. Horn says:—

‘The vast field of modern industry admits of many combinations. Amongst these, the co-operative association, within the humble limits and with the rational tendencies that we have just sketched, is one of the most legitimate. It promises to be fruitful; wisely inspired and ably directed, it cannot fail to produce good results both for the working classes and for the economic community. Why should we refuse to the group of beneficiary workmen their share of the sun side by side with the aggregate of salaries workmen? Why should not an association of the working element be established just as well as an association of capitalists? Why should the labour association be inevitably condemned to failure when, on all sides and in all forms, the association flourishes and advances?’

‘On this last point facts have already given the reply. They refute the skeptics in a most positive manner. In England we know of over three hundred co-operative

7 EDWARD VII., A. 1907

associations; we find as many in Germany; nearly all of them are prosperous. The associations of production in common supply a large contingent of these figures. It was designedly that, in the preceding pages, we specially dwelt on this category of labour associations. All agree that associations for production in common give the most room for objections of principles and for apprehensions regarding their practicability. We have, therefore, sought to show the lack of foundation for such objections and apprehensions; we have tried to show that the association for production clashes with no moral or economic law, injures no legitimate interest, has no unsurmountable difficulty to meet; that, on the other hand, it presents appreciable advantages of more than one kind. These remarks—it can be easily perceived—apply *a fortiori* to co-operative associations, of much easier organization and operation, that have other aims: supplying in common, the necessities of life, the purchase of primarily-needed materials and of implements for work, the common disposal of the industrial products of the associates. Gladly would we pause before the fine results obtained in different branches of the co-operative movement; they speak most eloquently.'

And Mr. Batbie adds:—

'When, as we said in the 'Journal des Debats' of the 15th October, 1863, we think that the 89 million francs, that in one year, out of the coffers of 243 popular banks, were loaned to persons who could not otherwise find any credit or obtain loans even on most onerous conditions; that the establishments which distribute among the working classes this fine credit of 89 millions (francs) have all been created and are all managed by associated labourers themselves, without any pecuniary or other help, either from the state or from the higher classes; that the 28 millions of francs constituting the active funds of these 243 leading banks belong for the greater part to the associates, who yesterday perhaps owned nothing on the collective credit of persons to whom, individually, nothing would be loaned; it can be easily seen that the lending banks have already done wonders that formerly would have been deemed impossible, and that they are destined to exercise a most happy and fruitful influence on the material well-being of the labouring classes.

'But according to our view, therein is not the most important side of this work; its moral influence must also be taken into account. The loan association accustoms the workman to economize, to have order in his business, to be exact in his engagements, because otherwise he could not become or remain a customer-member of the association; it develops in him a sentiment of fraternity and of intelligent co-operation; it gradually makes him become a capitalist by means of the fund it obliges him to create, by the dividends he receives. Hence, what better means of causing the antagonism between capital and labour to disappear than by transforming the labourer, himself, into a capitalist, than by supplying him, in the meantime, with the means of making his credit fill in the void created by his lack of means? Above all, do we, in fine, set this practical lesson, one of incalculable import: The leading banks teach the labourer in the most efficacious manner—through success—that the amelioration of his condition is in his own hands and nowhere else; that he must seek it in his assiduity at work, in his spirit of forethought, in the advancement of his moral and intellectual life, in the respect he must thus win and preserve. Wheresoever this conviction shall have penetrated the masses and shall have become the guide of their conduct, the so-called lower classes will infallibly rise, without that this upward tendency can create the slightest apprehension in the other classes of society.

'To applaud and admire no longer suffice. "Study and imitate" would we now say to the French workingmen. But already are they so doing.'

EDUCATIVE POWER OF CO-OPERATION.

Among the benefits to be derived from co-operation, there is one which is so important that it deserves to be singled out in a special way, namely, its educative power. This power is referred to almost constantly in the books upon this question, and it

APPENDIX No. 3

will be found mentioned very often in the quotations here given, but a particular reference by extracts will impress more forcibly as it should be, by its considerable importance, this precious feature upon the mind.

M. Courtois wrote a good many years ago, when the system was, so to speak, in its infancy, the following lines on page 76 of his book :—

‘Let no one be mistaken about it, the practice of credit is the best school to teach each one to have his rights respected as well as to respect those of others, which are conditions essential to liberty. Without being utilitarian, we cannot deny that, here below, self-interest is a great lever for good, and that to oblige the individual, in his own interest, to respect himself, to keep up his dignity, to keep his word, to watch over his outward appearance, to deserve by his conduct the esteem and the praise of those around him, is a powerful engine of civilization. Thus it is that, through the popular banks—based on mutual and joint interests—we can succeed in forming good citizens, devoted patriots, sincere and militant republicans, and that we can contribute to the consolidation, in a definitive manner, of our young democratic institutions.’

And in confirmation of this, after more than twenty-five years of unbroken success, Mr. Nicholson states on page 11:—

‘It follows, then, that if the principles of rural banking are made widely known, and are accepted by the more intelligent classes, and if the law and the executive will assist the development of societies by suggestion, by the removal of disabilities and obstacles, and by the grant of various privileges, there is every hope of a rapid and wide development of small local societies, chiefly co-operative, thoroughly in touch with their clientèle, independent of state aid, gathering in idle hoards and petty savings, providing facile, cheap, and above all safe and educative credit to their members, secure in the repayment of their loans, and exciting in a high degree, those great national qualities of thrift, prudence, self and mutual help not merely in credit but in other directions, without which no nation can obtain a healthy and vigorous development.’

And later on still, in 1900, M. Rayneri could with absolute truth say to the Paris Congress:—

‘From an educative and social point of view the utility of the co-operative credit system is also great and striking. The co-operative (associations) of credit impart habits of regularity and punctuality; they create respect for the falling due of credits; their members learn to know each other better and to appreciate each other the more; they frequently play the part of instruments of commercial conciliation; they help in fighting the fatal practice of making accommodation notes. Through them the feelings of mutual support and understanding revive and develop; to the social evils that egotism engenders succeed those benefits the dew of which is sprinkled over life by altruism; the struggle between capital and labour weakens; the weakness natural to the isolated labourer vanishes; co-operation transforms the latter into a material and moral force; it brings together and upon the same ground instruction, education, experience, and it teaches men that they are dependent on each other, that they owe advice and support to each other; in fine, it engenders and strengthens the cultivation of higher ideals; help for those who enter upon life not fully equipped, the demonstration of credit, the capitalization of intelligence and honesty.’

THRIFT AND CO-OPERATION.

Now, in the matter of thrift, which is of such importance to the progress and welfare of a people that all governments of civilized nations have deemed it their duty to intervene in order to encourage its spread at a time when private initiative was not so active as it is to-day, and when the systems that are known now were ignored, co-operation is very valuable, as shown by the following extracts:—

On page 2 of the report of the India committee, we find these lines :—

‘Further, we consider that the efforts of government should not be limited to

7 EDWARD VII., A. 1907

encouraging the establishment of purely agricultural societies. The Italian co-operative banks were first started in towns, and, taking into consideration the results achieved by them, we consider that endeavours should be made to encourage the formation of urban societies working on co-operative lines. The object which these societies would serve would be two-fold. In the first place, we consider that they would meet an existing want in providing a medium somewhat more profitable than the Post Office Savings Bank for the accumulation of savings by clerks and artisans, and would thus serve as a useful and much needed incentive to thrift. The Madras funds, which are described by Mr. Nicholson in the note appended to this report, indicate what may be achieved in this direction. Further, one of the main functions of such banks in Italy is the loaning of capital to rural banks, and we see no reason why urban societies in India should not similarly provide funds for village societies. If this result could be obtained, the necessity for government aid to rural societies would be diminished, while the village societies on their side would play the part of agents of the urban society, and would so meet the difficulty of acquiring local knowledge which is at present the main obstacle to the spread of mufassil banking, and would furnish a secure and profitable investment for the surplus funds of urban societies. We consider, therefore, that the establishment of urban co-operative associations for the collection and loaning of capital either to their members or to village associations within the district in which they are situated would be desirable and should be encouraged.'

In his 'Co-operative Credit Banks,' Mr. Wolff states on page 52:—

'Co-operative banks have also proved powerful incentives to thrift. They have taught people the value of money, even of mere dribblets of cash. And they have offered to them a money-box which has proved remarkably safe, and has consequently, in consideration of its other attractions, become their favourite savings bank.

'Here are effects which certainly appear to make co-operative credit worth cultivating. It does not come to the community with empty hands. It brings it something whereby to profit. Thanks to it, there are thousands of arms employed, thousands of modest fortunes raised up, myriads of acres increased in fertility and yield, which without its assistance might be drags on the community instead of being a help to it.'

On page 31 of 'People's Banks,' Mr. Wolff says:—

'Savings banks were few and far between, and situated mainly in great centres, where they were accessible only to comparatively few. People accordingly required above all things to be taught to save. And while being taught to save, they must also be provided with suitable receptacles for their savings, and means for keeping those savings in their own districts, available for their own use, instead of allowing them to be drained away into large towns.'

Further on, page 384:—

'Here is an opening into which it appears to me that People's Banks are peculiarly well fitted to step in. Experience shows them to be safe; experience shows them to be popular. As I have been able to state, in Prussia law courts allow trust moneys to be deposited into their keeping. As I have likewise explained, in the words of M. Rosstand and other witnesses, in Italy the counters of the Post Office Savings Banks stand decidedly second in public favour to those of People's and Village Banks, officered by men of the *depositor's own choice*, and therefore trusted by them—local popular institutions, in which each inhabitant knows that he has a direct interest, and of which he is jealous and proud. It might be the same thing among ourselves. And in all probability People's Banks would be able to allow a higher interest than the Post Office, and, under its dictation, the Trustee Banks.'

And Mr. J. R. Dodge, U.S. Statistician, in his letter on Mr. Peters' report, sets out:—

'It is, however, distinctly represented that it is no part of the purpose of these institutions to enable the man who is always "a little behind-hand" to get further

APPENDIX No. 3

behind—to give opportunity to one inclined to spend his income in advance a longer reach and readier appropriation of his future gains—to enable him to mortgage more of his future for reckless present use. They are intended to encourage thrift rather than prodigality.’

Mr. Peters comments upon the same advantage on page 17:—

‘Let the point here be emphasized that while co-operative banks were devised with the idea of obtaining outside of their own membership the larger part of the capital with which they were to operate, and while this idea has on the whole been realized in practice, the strong point in the system has not been the power of diverting pre-existing capital into different fields of employment from those which it would otherwise have found, but that of stimulating the creation of new capital by presenting new opportunities and incentives for saving. And this remark applies in a great measure even to the borrowed capital handled by the banks, which consists increasingly of savings, including in many cases those of their members, deposited with them at interest. In short, it cannot reasonably be doubted that the capital with which these banks operate, amounting in the aggregate to hundreds of millions of dollars, consists in large part of sums which but for the opportunities afforded and the influence exerted by these institutions would never have been saved, but would have disappeared in unproductive, sometimes even in wasteful or injurious consumption.’

And on page 94, commencing on savings banks, he adds the following:—

‘It must not be forgotten that the co-operative credit associations operate most efficiently as saving institutions in connection with the weekly or monthly payments received from their members on their shares.’

At the Paris Congress of 1900, Dr. Allerti, directeur de l’Union des Associations Co-operatives de la région du Rhin, did not hesitate after a long and practical experience, to assert:—

‘Doubtless the market for capital is not within easy reach of the associates, especially as long as the association has not attained a certain degree of prosperity, which attainment exacts heavy economic sacrifices and abnegation. But if the associates see that they can get money without saving and without imposing any privations on themselves, such must be detrimental to the spirit of saving and of economy: that fountain of energy becomes tainted and in its place springs up a desire to draw the most possible out of the coffers of the state; the association would make no further efforts to create for itself a patrimony based on associate shares and reserves.’

USURY.

This monstrous evil that brings disaster wherever it is rife can be effectively stamped out by co-operative credit.

All the authorities unanimously concur in that view and assert that it is the only real remedy, for nobody would care to pay 20 or 50 or even 100 per cent if he can get money at 7 or 8 per cent per annum.

Mr. Nicholson is positive on that point:—

‘The real method, however, of bridling the money-lender is by stimulating competition with him; in Switzerland thirty years ago the complaints against the usurer were as elsewhere; banks sprang up in obedience to the demand and in consonance with favourable laws of mortgage, registration and other stimulating circumstances; the result now is that the money-lender is authoritatively declared to be of no account as a factor in general credit, there being about 900 credit banks of various classes to less than 3,000,000 people.’ (p. 24.)

Mr. Peters is of the same opinion:—

‘There may be others with some capital lying idle who would be glad to have it earning a little profit and who might feel as much favoured in having some industrious and honest man take it and turn it to use as the latter would feel in receiving it

7 EDWARD VII., A. 1907

for that purpose; but as they have not become known as money-lenders, they are not applied to. The usurer is thus protected from their competition, while the competition of the borrowers continues and enables him to impose almost any terms he pleases. All this changes as soon as an association is organized in the community on some such plan as that of the 'People's Banks' of Germany. Every one now knows where he can carry his little surplus of cash and let it earn him a moderate interest during the time for which he can spare it; and if the institution commands confidence, as the 'People's Banks' so generally have done, many a little hoard is drawn from its hiding place and thrown into the channels of circulation. Then, too, as has been pointed out in the introductory remarks, these banks promote an actual increase in the amount of capital available, since both through the payments on members' shares and through the deposit of savings by both members and others, much money is received which, in the absence of such facilities for saving it, would have disappeared in unproductive consumption. (p. 24).'

And further on, speaking of what has taken place in Russia about usury, he adds:—

'Mr. Hitrovo, after a careful consideration of the facts, reaches the conclusion that the banks actually benefited their members during the decade in question to the amount of 22,000,000 rubles, or over \$13,000,000, this having been mainly done by saving them from the necessity of borrowing from the usurers or selling their products at a disadvantage, furnishing them the means of getting on their feet again after unforeseen accidents or losses, and enabling them to improve their industrial processes and methods.'

After an exhaustive inquiry began in 1897 and completed in 1898 on money lending, a committee of the British House of Commons reported as follows with reference to the very question of co-operative banks. The importance of this finding of the committee is still greater when one thinks that the object of their labours was the prevalence of usury in England and the best means to correct that evil. The opinion here quoted is, therefore, a very valuable one:—

'Your committee have received important evidence as to the operation of co-operative banks on the continent, and in some parts of the United Kingdom. It appears that the establishment of such banks has been of great use in abolishing, or largely diminishing, the trade of lending money at exorbitant rates of interest to the poorer classes.

'Your committee are impressed with the extreme usefulness of these institutions, and they are of opinion that they meet a real want, especially in agricultural districts.'

And Mr. Wolff is as positive as any authority upon the point, and many extracts could be adduced here from his writings, besides those incidentally already quoted.

SELF-HELP.—As a means to teach self-help, so important for one to succeed in the struggle for life, co-operation is the best educator known.

On page 10 of 'Co-operative Credit Banks,' Mr. Wolff says:—

'That being the object to be kept in view, it follows as a matter of course that people's banks must be co-operative banks. The people—so we know from abundant experience—are to be helped only by being made to help themselves. A rich man coming to their assistance with gifts and doles could not accomplish that which is wanted. His 'good fairy' gold would evaporate in little time, leaving its recipients in a worse case than before, more dependent upon others, less nerved for independent exertion. The gold which is to provide real and enduring help must be dug by the people themselves and represent the fruits of their own conscious efforts. To put the matter in the apt words of Dr. Liebrecht, a foreign philanthropist of experience, whatever is to be done for the workingmen ought to be done by the workingmen. Therefore the workingmen and those in similar economic circumstances will absolutely have to create their banking machinery for themselves. And that it is which compels them to walk in the paths of co-operation. For being themselves individually feeble, the work-

APPENDIX No. 3

ingman, the small trader, the small cultivator, can effect substantial and abiding good only by combination. Hence the necessity of co-operation.'

And in 'People's Banks,' he emphasizes this point:—

'The record of our benefactions designed to help and raise the working classes is a record, to a great extent, of desires and efforts which do our philanthropists credit, but to the same extent it is also a record of practical failures. Millions upon millions have been thrown away, as uselessly as if they had been cast into the sea, in kindly intended but injudiciously executed attempts to do good to others according, not to their own, but to our ideas, to give them ruffles when they wanted a shirt, and to give that luxury in a way calculated rather to make the receivers careless, than to make them thrifty. Only a few years ago we had proofs of a fresh instance of this given us in the complaint publicly expressed by a nobleman who had liberally purchased at his own cost "a large tract" of land beyond the sea, on which he had purposed, likewise at his own expense, to settle English emigrants.' (p. 19.)

And further on, page 398:—

'Master the principle, adopt it loyally, and you may allow the rules to take care of themselves. That principle is—that the institution should be absolutely based upon self-help, that its government should be democratic, that the quality of its work should be assured by a quickening of the sense of responsibility by checking, and union, and control. No gift from "honorary members" such as I have had to refer to, no patronage can have a place in these banks. Every dallying with greed, every yielding to the spirit of patronage, foreign experience has shown, adds a toe of clay to the huge brazen Colossus, and thereby threaten to overthrow it in spite of its size. And the thing must grow up from out of its own self, from the bottom to the top. None of the systems which have succeeded abroad have been organized from above. They have all risen from below. Nowhere, moreover, has this work been "good fairy" work. Every shilling's worth of success has been purchased by unremitting application, by economy, gratuitous labour (so far as gratuitous labour was possible), zeal and caution. And experience has shown that it is not otherwise to be obtained. There may be hindrances, and progress may at first appear slow, but in the end the work is bound to succeed wherever there is call for it.'

Mr. Nicholson asserts with the strongest possible conviction:—

'In fact the great principle which seems to underlie success in the credit associations of "small folk" is that of self-help; credit cannot be successfully given to such folk by large institutions, and credit, which is the result of philanthropic or state effort, is apt to be either abused or abortive; it is abused for it comes in the guise of charity, and is received as a mere surplus of the wealth of others which they can easily spare, with similar subsequent grants beside; it comes from a general and indeterminate fund, which is popularly supposed to be inexhaustible. Similarly, when it is supplied by government it is not only supposed by the borrower to be from an inexhaustible source, so that no one will be harmed if it is not repaid, but it is necessarily surrounded by the lender with so many rules and formalities, that it cannot reach those whom it would benefit. Above all, such credit does not educate; it does not teach the borrower that all capital comes from saving; yet without this lesson credit is dangerous, credit is only safe when it brings with it the lesson that there is no royal road to wealth; the mortgage of the unearned increment, the cheap loan from the philanthropist, the government takkavi at charity rates, teach the ryot nothing, while tending to beget carelessness and improvidence; it is the painfully saved surplus from laboriously won earnings that is the true educator. "If he is to value a gift he must be his own benefactor, if he is to deal scrupulously with it he must be its guardian."—(Wolff.) "The only true secret of assisting the poor is to make them agents in bettering their own condition."—(Archbishop Sumner.)' (p. 136.)

SAFETY AND ITS RESULTS.

The question of safety is one of such paramount importance that it never fails from the first to challenge the closest attention. And it is only right that it should be so. But upon this point a great many labour under strange delusions. One thinks that a certain set of rules or restrictions are the only proper safeguard and would inconsiderately apply them to each and every case without discrimination. Because they may have proved beneficial in a particular instance, it should be so everywhere and always.

The nature and working of a system should always be taken into account, as it will be seen stated by Mr. Nicholson. Does co-operative credit as generally known to-day offer reasonable safeguards in its present form of organization? The experience of more than half a century of continuous success proves the affirmative, and it is upon this result that the following opinions are based.

After having enumerated the safeguards evolved by practice, and that have proved most effective, namely, the election of members, credit confined to members, indication of the intended outlay, borrowers bound under the severest penalty to invest as indicated, borrower to find securities, limitation by the general assembly of members of the amount that can be borrowed by an individual, the supervision of the board of credit and the board of control, and many others that could be mentioned, chief among them being the fact that the general meeting of the members is supreme, and can be called easily in a day's notice, constituting the co-operative credit association the most democratic body that can be found, whilst in the speculative companies the directors are everything and the shareholders mere figureheads, after having quoted the very significant words of M. M. Ferraris, late Italian Minister of Posts and Telegraphs, and himself a very active founder and leader of co-operative banks, 'it is inconceivable how a co-operative bank, properly managed, can go wrong,' that is according to the common-sense rules known by everybody and that everybody can see that they are complied with, M. Wolff says:—

'By such means as those described, a system of giving credit has been built up which has in practice approved itself absolutely safe, while at the same time making borrowing practically easy, though, so to call it, theoretically difficult. As good as no money has been lost by this way of lending.'—(Co-operative Credit Banks, page 30).

And further on, page 40:—

'This council of supervision is a most essential feature of the bank, as indeed a controlling body has been found to be indispensable and most useful in all forms of co-operative organization. Wherever one of these village banks has been led into bad practice or loss, the fault has generally, if not invariably, been found to have lain in insufficient control. Therefore it may confidently be said that a good council makes a good bank. The council, which ought to meet at least once every three months, has a good deal more to do than merely audit the half-yearly or annual balance sheet. It is to constitute a real and effective check upon the committee of management, to review all that the committee does, inquire whether it has granted loans without proper investigation or without proper security, whether it has been careless in any investment, or otherwise remiss in its duty. The council, like the committee, is expected to present a report to the general meeting every year or half-year, and if the committee has in its opinion acted in opposition to the interests of the bank, and not paid proper regard to its remonstrance, it will as a matter of course have to report the case to the general meeting for adjudication.'

And on page 399 of 'People's Banks':—

'But, generally speaking, if we address ourselves to the work in the right spirit, it is bound to succeed among ourselves as it has succeeded among Teutons, Slavs, Latins and Turanians, under every variety of European sky, under the most diverse conditions, bringing good wherever it has taken root, raising the poor where other

APPENDIX No. 3

educating methods have failed, teaching habits of business, thrift, sobriety—making the drunkard sober, the spendthrift saving, the never-do-well well-conducted, turning the illiterate into a penman—and at the same time stimulating, with its magic wand, as M. Léon Say has put it, commerce, industry, and small husbandry, substituting plenty for want and happiness for misery, raising, enriching, emancipating the working classes, and flooding the whole country, economically speaking, like the waters of the Nile, with fertilizing influences. Here is a work, in view of the magnificent results attainable by it, for the benefit of millions of fellow-countrymen, which ought to have attractions for statesmen, philanthropists, and ministers of religion. Please God we shall some day see a rich crop growing up from the seed now being sown, and our country the richer, the happier, and the more contented for its growth. For applying the words of M. Ernest Brelay, we may truly say—I think my narratives must have shown that—that the resources of this beneficent creative power are ‘illimitable.’

Mr. Nicholson very aptly says, on page 47, after having referred to the above enumerated safeguards:—

‘Restrictions, however, must not, in general, be either legal or executive, but social; they must proceed from the people themselves through associations, which, imbued with a true economic and mutually helpful spirit by their best members, will gradually develop not only throughout the associations but in their individual members, the habits of prudence, foresight, thrift and productive outlay. It is because banks have hitherto been regarded merely from the point of view of capitalists and shareholders seeking for profitable placement of their capital, that the security of the loans advanced and the stability of the bank have been the points primarily aimed at; the present proposals aim at establishing and safeguarding the security of the ryot first and of the loans afterwards; men are of more account than money, and, after all, loans are safe just in proportion as the borrowers are prudent. Hence in the proposals to be made, the action and influence of the banks on men, and the controlled use of credit, will be discussed along with the usual consideration of cheap and facile credit to the borrowers and of the security possible to the lender.’

But apart from these safeguards, there are others of quite a special nature, safeguards that are to be found in the very nature of the institutions under review, and which it would be most unjust to ignore because they do not belong to the class just above referred to, or because they are not included in the alleged infallible set of rules spoken of and which are always present in the mind of unreflecting prejudiced individuals, and these additional sureties are to be found in the honesty, good conduct, industrious spirit of members, which qualities can always be easily ascertained, because the society operates in a very small territory. This safeguard has been found reliable in almost all, if not all cases during sixty years of experience in various countries and different peoples. And Mr. Wolff was justified in saying, speaking on this subject, page 27, ‘People’s Banks’:—

‘For we find the commissioners appointed by the United States government to inquire into their practice and success reporting that they have demonstrated beyond doubt that, with equal prudence and intelligence on the part of the lender, loans to the industrious and economical poor are as safe as those made to any class whatever of the rich.’

Again, on page 18:—

Sir Robert Morier says: ‘The skilled artisans of a community are as good a subject for a mortgage as the steam mill which supplies it with flour, or the broad acres which furnish the corn for the mill. All that is wanted is some equally safe means of assigning to the creditors a lien on the former as on the latter.’ That is the very point. In practice, or course, the problem did not in every case take this extreme shape; for, as in the case of the Iberian peasants, there was often something, at any rate, in the borrower’s possession, which might serve as security—a holding or a house, or some chattels.’

On page 204, referring to this point again in connection with the limited resources of the Italian people's banks, and how they were to procure the necessary funds, Mr. Wolff states:—

‘With their limited means, how were they to accomplish this? M. Luzzatti had his answer ready, but it staggered his countrymen by its “Utopian” boldness—the bank were to “pledge their honour” to “capitalize their honesty.” The great source of their credit was to be their “high reputation for honesty and solvency—la grande riputazione di onestà e di solidità.” Put into ordinary economic language, of course, M. Luzzatti's rather high-flown phrase does not mean that by the touch of some thaumaturgic power the members of the banche popolari were miraculously to be turned into saints or angels, but merely, that it was to be made their direct interest to be honest and punctual, and to see that their fellow-members were the same.’

And the success of these credit associations for forty years now is a striking evidence that Luzzatti was right in his view. The same argument applies with equal force to the individual members. It is a question of prudence and of education.

The same safeguards and rules of prudence, which I will explain fully later on, have been applied everywhere in the management of these co-operative institutions, and what has been the results? Taking Germany for example, M. Peters writes that in 1891, for his book was published in 1892:—

‘The deposits of the people's banks in Germany amounted to 534,000,000 francs (\$103,062,000); the deposits of the Bank of France were only 852,570,000 francs (\$164,546,010); of the Bank of England, 718,375,000 francs (\$138,646,375); of the Bank of Germany, 525,000,000 francs (\$101,325,000); so that, of the popular banks of Germany, 886 out of 2,200 deposited more money than the Bank of the Empire. Making a fair allowance on the average of the banks not reporting, the total popular bank deposits would exceed those of the Bank of England, and without such allowance they would be greater than those made in the Bank of France, if the 365,000,000 francs (\$70,445,000) of state funds are deducted.’

And all those figures could safely be doubled for 1906. Equally striking results could be shown for Italy, Austria, Hungary, &c., for there the system is worked on the same basic principles.

CREDIT AND THE POOR.

Having examined the economic situation in England, and having made a survey of the results so far obtained, the unfavourable condition under which the poorer classes are labouring, Mr. Wolff does not hesitate to express the following views on this subject:—

‘Credit is now the Monopoly of the Rich.’

‘However, all this profitable and useful banking, all this fructifying dealing in credit which, to the benefit of the community, multiplies the producing faculty of money ten, twenty and fifty-fold, has thus far remained restricted to only one-half of the nation—the richer, it may be, but certainly the smaller half, the half which contributes less directly to material production, the half to which the productive employment of its powers, the turning to account of its opportunities really are of least importance. Credit and banking are still—so capitalist an authority as the *Times* has on this point fully endorsed my own statement—“entirely the monopoly of the rich.” People sometimes talk of our being “over-banked,”—so remarked the same newspaper on a subsequent occasion; we are “over-banked,” so in effect it goes on, in some quarter; banking and banking credit do not exist.

‘Why are the Poor Denied it?’

‘Why are the poor, who, to quote the words of “the father of Italian co-operation,” Signor Vigano, need credit most, and in whose hands, inasmuch as they are directly productive hands, it is certain to fructify most, so sternly denied its use? A little credit would to them often be a real Godsend-temporal salvation. With its help idle

APPENDIX No. 3

arms might be procured employment; with its help that absolute and often abject dependence of working folk, which compels them sometimes to accept terms to which only "their poverty and not their will consents," would disappear; with its help that burden, now often crushing to the poor, and shutting off all hope of a rise in life, the burden of obtaining by dribblets, the necessities of life, at exorbitant prices, would be materially lightened. For, as regards, more in particular, the last-named point, Sir E. Chadwick has shown that the possession of ready money would materially reduce it—in not a few cases, by as much as 50 per cent. The surplus energy of the working classes, the producing power of the feebler members of their families, which are now almost wasted, might, in a garden, in a poultry yard, or else in a supplementary little workshop, be converted into a direct source of profit. To a judicious, industrious and skilful person the ladder which leads up to the higher position in life would by such means be made considerably easier of ascent. It is unnecessary, surely, to quote specific instances—as of the petty tradesman, who, at the price of only ten weeks' hire, may purchase his barrow, his donkey, or his horse and cart, out and out, which he now hires all the year round; as of the workingman who with the help of a little capital is enabled to set up successfully as a tradesman; as of the poor woman, who, becoming possessed of a sewing-machine, may earn back in little time its purchase price out of its own work; of the small peasant, who makes his cow, bought with borrowed money, repay its cost in a year, and leave the calf, the valuable manure, and itself, in calf once more, over as a free gift. Instances of the sort will no doubt occur in plenty to anyone who chooses to take the trouble to think about the matter. How would the use of a little money borrowed at a moderate rate of interest help those poor East End working-women, who, as one of their leaders told me only the other day, are too destitute even to practice co-operative supply? How would a little borrowed capital have helped those poor "sweated" cabinet-makers, who, as the Royal Commission Inquiry showed, were sometimes on Saturday nights paid with cheques which were, on Saturday night, to be converted into money only at a heavy sacrifice? How is it that that "little borrowed capital" is in such cases not forthcoming—otherwise than coupled with conditions which may take away all its utility, be it in the shape of usurious interest charged, be it in that of an embarrassing obligation incurred, with labour and begging often absolutely thrown away, if the answer be a refusal?

'They have no recognized security to offer.—The answer is simple. The poor folk of whom I am speaking obtain no credit because they have no security to offer, such as a bank would accept. There are people who appear to consider this to be a wise dispensation of Providence, who hold that poor folk ought not to be able to bank or to borrow, and in support of this kind contention quote the proverb which they never apply to their own case: "Who goes a-borrowing goes a-sorrowing."

'Credit is not necessarily demoralising to the poor.—Now I would ask: Is this really a straightforward argument worthy of the nineteenth century? Was it Providence, by the way, which first suggested the machinery of credit for the rich? And who is it that is justified in making a distinction between those who are entitled to the use of credit and those who are not? Certainly not those who now make it—the very people who enjoy a monopoly of credit, to the prejudice of those who do not. As for the demoralising influence supposed to be concealed in credit, do we not, all of us, know that, as Léon Say has again and again insisted, there are two kinds of credit, essentially different—one demoralising, the other educating; one dangerous and leading into mischief, the other largely creative and purely beneficial. To withhold business-like credit from the poor on the ground that it might prove dangerous to them, and yet drive them perforce into the usury of shop-credit, which often sucks the life-blood out of them is, surely, the height of hypocrisy.

'The time for invidious distinctions has gone by...Credit must be "Democratised" like everything else.—The time has assuredly gone by for making a distinction in such matters between rich and poor. All our institutions, all our habits, all our conditions of life, have become democratised. It is nonsense to pretend that working

7 EDWARD VII., A. 1907

and small trading folk are not competent to discriminate between legitimate credit and illegitimate, to practise the one and avoid the other, just like the rich—seeing that in their friendly societies, their trade unions, their co-operative stores and workshops, they give proof of business capacity and administrative ability of the very highest order, such as no large manufacturer or merchant could surpass. Let the “superior persons” who deny to working folk the skill required for doing business for themselves, have a look at the two co-operative wholesale societies, turning over their millions of money, maintaining a flotilla of steamers of their own to carry their goods to and from all quarters of the globe, and constituting two of the largest business concerns in the United Kingdom! Let them have a look at the Board of the Co-operative Union which administers the affairs of a community so large and so wealthy that Lord Rosebery has not without good reason called it, ‘a state within the state.’ Management could not be more perfect or more business-like in the best conducted capitalist establishment, or the best ruled government department. And yet the managing committee consists in all these cases entirely of bona fide workingmen, whom the management of co-operative stores has educated to business and to administration, as the practice of banking would infallibly educate their class-mates to banking.

There can be no question that the working classes, like the employing, need credit. Loan societies, self-help societies, friendly societies with lending powers already actually provide for it on a very small scale, in a very temporary, makeshift, and inadequate way—just enough to indicate incontestably the existence of a want. But that is, unfortunately, only for the few. For the mass of the working population the pawnshop and the petty usurer’s office still constitute the only available credit banks—necessary, in the opinion recently expressed by a county court judge, under present conditions even beneficial, but cruelly unfair, and economically unsound and duinous.

Juxtaposition of excessive abundance and need.—In this year of grace 1898, surely we may put aside the obsolete argument that poor folks’ credit is not wanted. However, that does not help us over our difficulty that such credit does not, as a matter of fact, exist. Our present banking machinery, cast in a purely capitalist mould, is absolutely not to be adapted to the acknowledged need. Oddly enough, in respect of this matter, we find ourselves placed between two striking extremes equally embarrassing. There is need on one side, and there is excessive abundance on the other—money ‘overflowing in the coffers of the bankers,’ money so plentiful that you cannot get money for it.’ These are Lord Salisbury’s words, and no one will dispute their truth. Here, one would think, are the elements for striking a balance ready to hand. However, our economic machinery is still evidently so imperfect that two opposites, which might usefully correct one another, cannot be brought into salutary contact. There is no touch between them, no common ground on which they could meet, no exchange in which they might bargain for one another’s services—they constitute practically two worlds separated by an untraversable abyss.

Co-operative Credit Banks as a remedy.—It is this abyss which people’s banks are designed to fill—this gulf, the “dark stream of distrust,” of which Lord Salisbury speaks, “across which they are intended to cast a bridge, placing need in communication with abundance, and at the same time devising safeguards, sure and effective safeguards, against improvident credit, and making credit at once productively and educationally useful.” To quote the apt words used both by Léon Say and by M. Léon d’Andrimont, the originator of people’s banks in Belgium, people’s banks were created to “democratise credit,” to make credit and all other banking facilities readily accessible to small folk, to whom the ordinary avenues leading up to such benefits are at present closed. That is their distinctive object. They are specially called upon to take up and practise the small business which, just because it is small and therefore little remunerative and very troublesome, other banks excusably elect not to carry on. They are, in other words, to provide banking “for the million”—for poor people, down to the very humblest, so long as these can show themselves to be deserving of credit, not as a matter of favour, but as a matter of business. To this end,

APPENDIX No. 3

to do this successfully, freely and safely all their efforts must be bent. And, together with facilities for banking, they must at the same time seek to provide a banking education for those who are at present unskilled in the matter, coupled with self-regulating restraints, the intended office of which is, while encouraging legitimate, to shut out improvident borrowing, to supplement the useful instrument provided with an effective protective guard.'

THE NATURE OF THIS CREDIT.

And to show that it is true, 'that credit is not necessarily demoralizing to the poor,' as Mr. Wolff has just put it, it is well to quote here the opinion so ably expressed by Mr. Nicholson: 'Thrift, not charity, base of credit,' and this authority explains his meaning as follows on page III. of his report:—

'But in this and in the following chapter on "indebtedness," it is especially sought to bring out the fact that the establishment of banks, great or small, is, *per se*, no remedy at all for rural indebtedness, and may indeed, seriously aggravate the difficulty; it is not mere facility or cheapness of credit that is desirable, but a safeguarded, educative credit; a credit, moreover, based not upon subventions from the State or upon any system not thoroughly business-like in its principles, but based upon the thrift and prudence of associated members, whose savings and character attract in the ordinary way of business, abundant deposits from the saving public; it is thrift and prudence, not charity or state aid, which must be the basis of all true credit, such as will benefit it and develop, and not enervate and paralyze a nation.. This credit is that which is being sought, and to a great extent successfully, in Europe.'

Further on, he defines the nature of the credit desirable:—

'But the present study is expressly confined to the remedy found in the organization of credit, a remedy, however, of almost unbounded potentialities provided that it is so prepared as to contain the alterative and tonic elements of national vigour. The mere supply of cheap capital *ab extra* is no sufficient remedy; it would probably intensify the difficulty by increasing the load of debt; even the supply of such capital by the organization of credit, by the establishment of banks, is inadequate as a radical means of relief.

'It is not merely cheap and facile credit that is required; it is a credit which must indeed be cheap, and facile in that it shall be ever at hand, but it must be credit which shall only be so obtainable that the act and effort of obtaining it shall educate, discipline and guide the borrower; it should be granted only to those who have learned to think, to plan, to save; the method of providing it must teach the lessons of self and mutual help, and suggest the extension of those lessons to matters outside of mere credit; it must be safe not merely in eliminating the dangers of usury, but in being controlled, heedful, and productive. Hence, while studying credit and preparing for its organization, the object to be borne in mind is not the introduction merely of cheap capital or of banking credit, but of that system which shall most readily and thoroughly develop essential national qualities; those systems of banking are to be preferred which tend in themselves to this result, and the efforts of the state whether in its legislative or in its executive capacity, should be directed towards the promotion of such systems. Not joint stock banks merely, still less state banks, or banks financed by the state for the mere issue of capital, but mutual credit unions, are the desideratum; co-operative societies where the isolated learn the value and powers of association, where the ignorant are taught the lessons of business, the reckless learn heedfulness, thrift and prudence, the idle and intemperate return to industry and sobriety; where the prudent, the sober, the skilful; the well-to-do unite with the poorer and weaker brethren in an association of mutual help and insensible self-development.' (Page 4.)

ARE CO-OPERATIVE CREDIT ASSOCIATIONS RIVALS TO BANKS?

This question, sometimes asked, looks so ridiculous to me who knows the essential differences between both, that it seems almost useless to take the trouble to answer it.

7 EDWARD VII., A. 1907

It is a question which will never arise after experience has proven here as elsewhere, to everybody, that these associations are not rivals but helpers of banks. Their very nature forbids such a query. Their dissimilarities are so striking, their functions in the economic world are so removed one from the other that one who has examined even superficially the subject cannot have the least hesitation in answering negatively. It may, however, be desirable to show by opinions and facts that there can be any doubt upon this point.

In his 'Co-operative Credit Banks,' Mr. Wolff states:—

'Co-operative are no Rivals to Ordinary Banks.—From what has been said it must have become clear beyond a doubt that people's banks cannot in any wise be taken to be entering the lists as opponents or competitors to other banks. All apprehension on that score should at once be dismissed. In their own interest, indeed, people's banks should abstain from attempting to compete with other banks. Such competition would spoil them. And they will have need of other banks, with whom, accordingly, they ought to study friendship rather than rivalry. In truth, people's banks are not only not rivals to other banks, but directly benefactors and feeders, school-masters for the poor, carefully training to banking habits those who at present do not bank, and, therefore, do not know how to bank; guides who lead small folk through a humble avenue into the great banking market, in which the great banks are the dealers, and from which in the end all money must be drawn. Thus in point of fact they provide new business for other banks which without their assistance would be entirely lost to them.' (Page 12.)

And on page 22:—

'In Italy, when people's banks were first formed, the capitalist banks and the savings banks had the good sense to recognize that here was a powerful and useful ally, an auxiliary, brought into the field, whom it would be to their interest to support and second, because he would in his turn help them.'

Moreover, in his 'People's Banks,' Mr. Wolff writes:—

'They resolved to trust him. In M. Luzzatti's words, they actually "vied with one another," in their efforts to take the new people's banks under their "maternal guardianship." "In doing so," M. Luzzatti frankly insists, in his annual address of 1889 "they have only consulted their own interest." But all the same he gratefully acknowledges the most opportune assistance received.

'The Banco di Napoli offered to discount bills at 1 per cent, under the ordinary bank rate. The Banco di Sicilia was ready to find four-fifths of the capital required for starting even a considerable number of banche popolari within its own district. Under the law as it stood that proved impracticable. But the good-will from which the offer proceeded remained available for other methods. On the face of it, if the popular banks wanted to exist any length of time, they must be honest. And M. Luzzatti and his friends had too much at stake in their reputation to play recklessly with their new instrument of credit.' (Page 209.)

On page 94 Mr. Peters comments thus upon this very point:—

'Monsieur Luzzatti, the present Minister of Finance, has introduced into his country the system of small co-operative share banks which receive deposits, grant loans, and discount bills solely on behalf of their members. There are in Italy more than 700 co-operative credit societies, possessing a capital of 66,000,000 lire (\$12,738,000), and having deposits to the amount of 300,000,000 lire (\$57,900,000). There is scarcely an agricultural centre of any importance without a popular bank or a branch of such an institution. Their action is powerfully seconded by the aid lent them by the savings banks in the great cities, which have been developed more rapidly than in any other country. Though seeking to place their funds where they will be safe, easily collectible, and sufficiently productive, these banks make it an object to pour back into the economic circulation the capital collected by saving. A part of it is invested in government bonds and in provincial and communal securities, while another

APPENDIX No. 3

part serves to support the small lines of trade and agricultural industry by discounting bills and notes running for long terms. Thus the one savings bank of Milan, which has a capital of 60,000,000 lire (\$11,580,000) and deposits exceeding 300,000,000 lire (\$57,900,000) comes to the aid of petty trade by accepting the paper of the popular bank (of the same city) which makes loans to agriculture and the small industries. The notes of this (popular) bank, once indorsed by the savings bank, are readily accepted by the national bank of Italy. The same course is pursued in the rural districts where agricultural credit and commercial credit interact in the same manner. Thanks to the rapid extension of these popular banks, all solvent cultivators find similar facilities of credit to those enjoyed by the merchants in the cities, and that without being held to a three months' term.'

And it may be added that this help on the part of the large banks to these associations has yearly increased since, showing therefore that experience has confirmed the opinion entertained at the start, and that bankers have had the proof that these co-operative societies were beneficial rather than hurtful to their business. The 'Banque de France,' the largest financial institution in the world with the Bank of England, is and has long been a powerful help to these small associations by discounting their bills.

Mr. Reginald Murray, manager of the 'Commercial Bank' of Calcutta, in an article contributed to the *London Bankers' Magazine* upon the inquiry and report of a royal commission appointed in 1901 by the Governor General of India, Lord Curzon, for the purpose of investigating the desirability of introducing these people's banks in that country, concludes by writing the following very significant lines: 'The proposals now under consideration will not for some time directly affect the operations of the ordinary joint-stock banks, but in proportion as co-operative societies accumulate wealth by means of extended credit they will tend to increase the volume of interchangeable commodities, and when that happens the ordinary joint-stock banks are bound to derive benefit, both in the form of deposits and custom.' Surely a banker of such eminence as Mr. Murray would not have expressed such a strong conviction if any doubt to the contrary had ever arisen in his mind.

THE DUTY OF THE STATE.

A very important question is the one relating to the duty of the state or government in connection with this system of organized credit.

Without going as far as advocating direct aid towards these associations—for I do believe that such grant would be a fatal mistake, and would in Canada, paralyze the energy necessary to the success of co-operative credit—the duty of the government is very well defined by Mr. Nicholson in the following lines:—

'But the state must assist the development of organized credit. The functions of the state in the matter of rural credit are considerable; it must remove all disabilities and obstacles which prevent lender and borrower from meeting on fairly equal terms; it must stimulate competition with the money-lender by suggesting and favouring the establishment of credit associations of various classes; it must legislate for the due formation and management of such associations, with a special leaning to co-operative associations as stimulative of essential national qualities; it should grant certain privileges, which cannot be safely entrusted to private individuals; it should provide for efficient supervision; and it may grant some moderate subventions, either as working or as mere starting funds.' (Page 24.)

Coming back on this point and insisting with great force on what the state should do to encourage the organization of such credit, he says:—

'The province of the state, at least in the present century, is not that of providing credit; its duty is to favour the establishment by the people themselves of a system or systems which shall provide facile and safe credit for the rural classes. The true office of the state is to remove all obstacles which stand in the way of organizing

such credit, whether they are popular obstacles such as those of ignorance, isolation and improvidence, or fiscal, legal or executive obstacles.' (Page 38.)

And in the next page he explains his view more fully by stating:—

'It is the duty of the state in all matters affecting the credit, thrift, providence and property of the poorer classes to take special precautions by legislative and executive supervision that such classes shall not only maintain their stability and independence, but shall be expressly stimulated and encouraged to take steps to provide, through self and mutual help, the institutions which shall furnish credit, promote thrift, develop habits of providence, and safeguard property; 'aider à faire,' not 'laisser faire' is the true method; true freedom of action depends not upon the abstention of government from interference, but upon such interference as shall secure freedom of action, and the certainty that each man shall be able to reap and secure the fruits of his own industry.' (Page 39.)

The Paris International Congress of 1900 has pronounced itself upon this point and has done it in a clear and unmistakable language:—

'The legitimate role of the state, in this instance, is confined to assisting the development of popular associations of credit by means of liberal legislation, to encouraging, even by means of subsidies, the spread of co-operative principles and advantages, to avoiding in its political economy all that might shake the basis of such associations: private initiative, administrative autonomy, responsibility.'

NO PHILANTHROPIC AID.

I hold that direct state aid would be here a fatal mistake because it would weaken the sense of self-help and responsibility on the part of the members of such associations by providing them with funds which shall always come from thrift, not from the paternal providence of the government. For the same reason, I would consider philanthropic aid as disastrous as the other. Experience has demonstrated that that view is well founded. Mr. Wolff, in 'People's Banks,' goes into the question, and by examples of a very striking character proves the evils of such aid, and its utter inability to produce any good results.

'It is interesting,' says Mr. Wolff, 'to note the difference in the fate which has befallen, on the one hand, genuine co-operative loan institutions, supported and officered by those for whose benefit they are intended, and, on the other, loan institutions of a different type, be they official or philanthropic, however well conceived and organized.'

'One case in point is that of Alsace. The German government, on taking possession of the newly conquered province, found popular credit unprovided for, and at the same time, millions of marks, either savings banks' money or else communal funds, lying idle in its tills. With sound judgment, as it appeared, and great thought, it organized popular advance banks, by which such available moneys were to be lent out to the peasantry and other small folk on liberal terms. Every precaution was taken; yet the practical effect proved next to nil. A few years ago Herr Raiffeisen planted one of his co-operative loan banks on the same ground. Within five years that one multiplied to seventy-three. In 1892, when I visited M. Chèvreton, the chairman of the Provincial Committee, at Saint Hippolite, there were 126, all thriving, all doing a large business, alike in granting loans and in taking savings. Since that time the number has been very largely increased. Never had grain of seed fallen on more fruitful soil than that on which the official variety had barely germinated.'

'Something very similar has happened in Italy. In 1869 the Italian government being anxious, like its neighbours in France and Belgium, to provide small agricultural cultivators with cheap and easy personal credit, by a special law authorized the formation of *banche agricole*, very similar in constitution and practice to the French *comptoirs d'escompte*. In 1882, of the thirty odd *banche* so established, all but nine had collapsed. Of those nine only two were doing any business to speak of, and that, as it turned out, only owing to special circumstances acting in their favour. One would have thought that in that district surely there could be no

APPENDIX No. 3

demand for credit. Yet, scarcely had Commendatore Luzzatti's *banche popolari* set up their tables on the same seemingly barren soil but business floated to them from all sides and they grew in a few years to most successful establishments.

'In Berlin, where the late Emperor William's money granted in 1865, on Prince Bismarck's urgent recommendation, to endow socialistic associations of the Lasalle type proved a hopeless waste, and where those philanthropic loan banks already referred to had to close their doors for want of business; and in Thuringia, where the banks supported by the various small Crowns accomplished very little, the credit associations established by Schulze-Delitzsch have found a most ready and favourable market.'

Further on, he adds:—

'From all these instances, and more which are on record—no doubt they might be matched in this country—it seems unmistakably evident that institutions like those now contemplated, formed to assist poor people with money which is to be well expended, and honestly repaid, must not, if they are to be of real benefit to the borrower, to promote useful outlay and thrift and honesty, come to him like little Providences from outside, with a strange face and a condescending air—Providences whose gifts cost him nothing, and, for aught that he is aware of, may cost no one else anything, and may be repeated *ad libitum*—but must be his own creation, raised up, as Commendatore Luzzatti, the founder of the *banche popolari*, puts it, "by a heroic levy on his daily wages." If he is to value the gift, he must be his own benefactor; if he is to deal scrupulously with it, he must be his guardian. The rich man's dole, coming as from a rich man, is held in comparatively slight estimation, as issuing from a full treasury in which it will not be missed. Hence those ruinous losses, by repeated default in the French philanthropic funds founded by the state, or the Emperor or the Empress.' (Page 26.)

'The Emperor Napoléon III tried his hand at such beneficent work. First he created a Caisse d'Epargne d'Escompte, endowed with a million of francs, of which he himself provided one-half, which was to advance funds more especially to productive co-operative associations. As it turned out, the rules had been so stringently drawn that no borrower could be found willing to comply with them, and the institution died without having done any good.' (Page 20.)

And Mr. Wolff concludes as follows:—

'There were no co-operative philanthropic lending banks in many places in Germany before Schulze-Delitzsch and Raiffeisen entered upon their benevolent career. The late Duke of Saxe-Coburg—the father-in-law of our Queen—more especially, had been careful to found some such in his dominions—at Gotha, at Ohrdruff, at Zelle, at Ruhla, and elsewhere. But nowhere did these capitalist establishments accomplish any real good.' (Page 21.)

SURETIES FOR LOANS.

Apart from what has already been stated and from the valuable guarantee resulting from the local nature and working of these associations, there are other sureties to insure the loans, some of which should be mentioned here.

There is the watching of the loan, that is the use made thereof by the borrower. In any other system of money lending this is no direct part of it. Once the lender is satisfied about the security given, he cares very little for the rest, private money lenders very often being even desirous to see the borrower squandering the funds raised by the loan in order to take hold of the property or goods or other value serving as guarantee.

In a co-operative association such a desire cannot exist, because it would be directly antagonistic to its very object and interest. Nobody could possibly hope to benefit by it, so measures are taken to watch closely the borrower in this respect. It was this feature that induced the Duke of Argyle to write: 'Your system of strict payments and watching the loan is admirable.' And this watching can be effectively done within the immediate reach of every interested member.

Moreover, sureties must be found, and upon this important point, Mr. Wolff says in 'Co-operative Credit Banks,' page 29:—

'And our man will not receive his loan unless, over and beyond all this, he finds security sufficient to satisfy the managers of the bank. That security will, in new because the association operates in a locality or a very small area, under the eyes and banks, have to be what it can. As a rule it consists in sureties. There are cases in which a man's own engagement is accepted as sufficient. But in the majority of instances the borrower is asked to find sureties—one, two, or more, according to the circumstances, as many as are deemed sufficient to secure his loan. And should one or the other of these sureties be found to deteriorate in quality while the loan is outstanding, the borrower will be called upon to make good the deficiency by procuring another.'

The character of the borrower stands as part and parcel of the surety looked for and accepted by the association, for no such credit society would, in the first place, elect as member a notoriously bad character and much less should it ever consent to lend money to a doubtful one. In my own personal experience loans have been positively refused on that very account, although the guarantee offered was good from an ordinary money lender point of view. Not only is ability to reimburse being considered, which is insufficient in more than one instance, but also honesty, which is worth much more than one who pretends to know would imagine, arguing upon his own very limited knowledge, without practical experience of any sort, except the theory gathered up within the four corners of an office closed to such dealings. Ability is by no means the only thing to be considered, but most prominent is honesty, and upon this, I will quote M. Wolff. 'Co-operative Credit Banks,' page 20, who writes with his eyes open upon thousands and thousands of facts all over Europe:—

'In a co-operative bank he borrows directly from his own class-mates, from those among whom Providence has cast his lot, those for whom he has a strong fellow-feeling, those who have the making and the marring of his worldly happiness in their hands. The "great effect upon his moral habits" is accordingly pushed forward to a much further point. Our capitalist bankers make a practice now of lending to rich men rather upon "character" than upon security. A poor man's "character," placed before the tribunal of his daily companions, is really within its proper limits, of even more constraining force, since in his own little restricted world his "character," judged by the men among whom he lives, and from whom he can scarcely get away, is his little all-in-all.'

And this very interesting paragraph telling of a fact that has come more than once to my own knowledge:—

'Commendatore Luzzatti has rightly called co-operative credit "the capitalization of honesty." Personal credit makes it its aim to help the borrower without embarrassing him by taking from him something which he may want, or binding him to do what must be very inconvenient, or by spoiling his credit by pillorying him in the register of bills of sale. And it is the most educating, because it teaches people by the strongest argument available, that is, the argument addressed to the pocket, to be honest and punctual, in their own interest. It will be seen that security fully as valuable and constraining as any pledge or bond could provide may be obtained under the system of personal credit.'

And the results in over forty thousand of such co-operative credit associations after years of experience, and millions upon millions of dollars loaned, confirm that contention in every particular.

ADAPTATION TO THE WANTS AND CIRCUMSTANCES OF THE PEOPLE.

One point that is of special importance to insure the success of such associations is to adapt them to the wants, and circumstances, and even wishes of the people. To try by legislation to force the future co-operators to adopt one way in preference to

APPENDIX No. 3

another would be to invite failure. This has been well understood wherever a law has been passed having the organization of co-operation in view. Whenever the law has not been of a liberal character, co-operation has suffered and more or less languished on that account. It is therefore necessary to grant full freedom of action to the interested parties, nobody being likely to suffer but themselves, if they make mistakes.

This question is examined by Mr. Peters, and his opinion is as follows:—

‘The only special condition by which co-operative enterprises needed to be differentiated from others of a fair and worthy character was that, in their organization, methods of procedure, and objects of pursuit, co-operative associations should be judiciously adapted to the needs of the poorer classes of society, for whose especial benefit they were designed.’ (Page 10.)

Further on, he adds:—

‘They differ among themselves in many particulars, the most important being that which relates to the degree of liability assumed by the members, but in general they agree in the possession of characteristics which adapt them to the uses of the working classes and entitle them to be regarded as co-operative in the most essential and important elements which enter into the special signification of that word.’ (page 10.)

And on page 13:—

‘For example, institutions that would be adapted to the coloured tenant cultivators of the South, might not be suited to white agricultural tenants in the North and West; while such as are adapted to the last might fail to meet the requirements of the poorer class of agricultural proprietors. In any attempt to organize an association in a particular district the prevailing need, the habits, characteristics and circumstances of the people, and in a district with a large foreign population even the nationalities most largely represented would have to be duly considered.’

And according to Mr. Peters, ‘there is, however, a vast field in our country for co-operative credit.’

Further on, he adds: ‘When a plan is presented which, in its adaptation to the wants and circumstances of those for whom it is intended, has within it the germs of a vigorous life, the people are not slow to adopt it and improve upon it in the light of their experience.’

‘Most of the foreign associations have had to adapt themselves to the needs of a poorer class than would be found in any considerable number among corresponding elements of our own population. And in this connection it is of interest to observe that the capacity for successful association has been found to co-exist not only with deep poverty, but also with extreme illiteracy. Some of the Italian provinces in which the popular banks are especially numerous, hold a very low rank educationally, as is shown by the official statistics; and Russia would undoubtedly furnish us some striking examples on the same point.’

The idea of forcing a theory upon an unwilling public has been tried in Belgium by M. d’Andrimont, and failed to a very large extent. In his ‘People’s Banks,’ Mr. Wolff says:—

‘Facts have proved too strong for him. Unlimited liability showed itself as little acceptable to Belgians as it was to Italians. At the outset it was accepted only because its significance was not understood. When in one of the banks, some years later, it was proposed to limit the liability to—I think it was fifty times the value of the share—members, who had up to that time made themselves answerable for the bank up to the hilt with absolutely the whole of their possessions, shrank back in alarm, declaring that they could never accept so heavy a responsibility. In respect of other points, no less, M. d’Andrimont’s close adherence to his German model has for some time stood in the way of entire success. For a long period the movement dragged heavily. Some banks grew up rapidly, but their number and their business remained

stationary, with one or two added or withdrawn every year—sixteen, seventeen, then fifteen—representing a constituency of 10,000 or 11,000, keeping very solvent, doing a fair amount of business in a very business-like way, but never really extending their sway or becoming genuinely popular, even among those teeming millions of the most populous and the busiest little country of Europe, in which ministers and economists—like M. Graux et M. Beernaert—never weary of calling out for some popular form of credit, more especially agricultural. “How is it,” plaintively asked M. d’Andrimont, as president, at the congress held in 1888, “that having been founded nearly twenty-five years ago, the People’s Banks have not grown more numerous?” The French economist, M. Limousin, in agreement with M. Julius Schaar (director of the Banque Populaire of Brussels), supplied a very plausible answer: the banks were not sufficiently “popular.” “The People’s Bank,” so writes M. Charles M. Limousin, in the *Journal des Economistes*, “become in Belgium less and less popular, that is to say, less and less useful to the poorest class of the population. Soon they will have nothing that is popular about them, except the name.” M. Schaar complained that “the People’s Banks cannot be useful to simple artisans.”

‘This frank judgment may have helped to lift the banks into a better position. They have always been, in the main, well—in some cases even excellently—administered. But there was something about them which seemed adverse to spreading and growth. M. d’Andrimont has placed them in his country, so to speak, as a German plant put into a Belgian plot, not, like M. Luzzatti’s banche, as a German set planted on new soil, there to strike root and become part of an indigenous vegetation. The tree set in the new soil, in disregard of the conditions under which it had to live, for a considerable time just managed to keep alive, pushing on very little.’ (Page 288.)

CO-OPERATIVE CREDIT IN CANADA.

In addition to what has already been said upon the need of such a credit in Canada, as evidenced by the presence and the prosperity enjoyed by the money-lenders and usurers, at the expense of a long-suffering public, can it be argued that organized co-operative credit would not be a success here because our circumstances are not favourable or decidedly adverse? This contention has been advanced against the pioneer of the idea in every country where now co-operative credit has reached a wonderful degree of success. Far from being unfavourable, our circumstances are quite the reverse. Our people are fairly well educated, the representative institutions which we enjoy have given them a keener sense of public duty than was possessed forty years ago by most of the European working classes. Surely in this respect we are far ahead of the native population of India, who have now the benefit of a law on co-operation. But let us see what happened elsewhere, in order to gauge more accurately our own situation.

Mr. Wolff gives an account of what Signor Luzzatti had to contend with in Italy. He says:—

‘However favourable circumstances might in the course of practice turn out to be, in 1863 and 1864, when M. Luzzatti entered upon his crusade against usury he found himself face to face with a task of no little difficulty. He had his “plan of campaign ready.” But his army for fighting it had still to be created. He cannot have been in a better position for beginning operations in Italy than would at the present day be an apostle of his economic gospel in England. There were only very few who believed in his “chimera.” The very friends who consented to join him were sceptical, and contributed their small subscriptions rather “to oblige their friend,” or “as one engages in a doubtful charity,” than with any faith in the scheme. Like Schulze, in Germany, he felt himself hampered by a socialist Lassalle, one Boldrini, perpetually crossing his path and acting the Shimei by him. However, Boldrini had no Bismarck to back him up, and so his opposition came to a speedy collapse. A more serious hindrance was to be found in the backward state of the Italian law, which recognized no societies with unlimited capital, such as co-operative associations must needs be. Until 1883 the banche were compelled to sail—innocently enough—under

APPENDIX No. 3

false colours, styling themselves joint stock companies, and altering the figure of their "limited" capital from year to year, in order to comply with the law. That helps to explain the comparatively slow progress made up to the date named.

'In spite of all these hindrances, M. Luzzatti—after a little co-operative experiment made in connection with a friendly society at Lodi in 1864—late in 1865 decided upon starting his first people's bank in Milan. And on the 25th of May, 1866, he opened the doors of his modest little establishment in a small hired room. It was a puny little affair. The bank had but £28 for its capital—oddly enough, precisely the same sum with which our Rochdale Pioneers entered upon an economic reform destined to revolutionize commerce. "*Moi, je souscrivis 100 lires, j'étais le millionnaire de la bande.*" Of course they could employ no paid clerks or officers; all work must be gratuitous. But there was a good will at the back of the enterprise. "*Half my heart,*" long after said M. Luzzatti himself, 'is wrapt up in the People's Bank of Milan.' (People's Banks, page 214.)

And that association is now enjoying such prosperity that it is a subject of admiration for all the political economists who have studied its working and its results. An humble beginning is not a fatal obstacle to success.

Some may argue that the modern tendency of trade and industries to concentrate is such that these institutions would be useless. Mr. Wolff quotes an instance which does away with the argument. He says:—

'The Banque Populaire of Verviers ought to be of peculiar interest to us, not so much because in little time it has grown to be the largest people's bank of Belgium—numbering last mid-summer 2,995 members, as because it has set up its counter in a manufacturing town organized to all intents and purposes like a manufacturing town in Great Britain. Sceptics in this country will insist, without looking sufficiently into facts, that we could not set up co-operative credit in this kingdom, because we have "no small trade." It is the small workshops of Liège, Milan, Leipzig, so they will have it, which support these co-operative banks, and alone make it possible for them to live and thrive. In our British towns, where industry and trade are for the most part concentrated in large workshops and the small artisan of abroad becomes the salaried "hand" or foreman, such a thing, they say, would be impossible. Well, here is a town with large workshops only. Out of its population of somewhere about 50,000 as many as 40,000 are "hands" working in those large cloth mills and yarn factories which employ 160 steam engines or more, and turn out annually above 400,000 pieces of cloth, besides yarn, clothing the entire Belgian army, and exporting at least £3,000,000 worth into the bargain. Walking in the busy streets of Verviers, you might fancy yourself in Bradford or in Leeds. Well, the Banque Populaire has set up its mensa argentaria in the midst of these shop-hands, and has gathered together more members around it than any other people's bank in Belgium. Up to 1892 the Bank of Liège, working among a population of 160,000 inhabitants, in the very home of small trade, maintained the lead. Now Verviers has outstripped it considerably. Brussels, with its 184,000 population; Ghent, with its 152,000; Antwerp, with its 240,000; Malines, with its 52,000, all rank after it, notwithstanding that they have more small trade. It is really not the "small trade," it is the understanding and appreciating the co-operative principle which makes a co-operative bank to thrive. In its composition the Verviers bank is thoroughly popular and "democratic." There are, it is true, among its 3,000 members, 449 "rentiers," but most of these are, I believe, small men, retired from work or business. There are 446 small traders. There are 6 doctors, 26 proprietors of cafés, 33 small manufacturers, 188 counting-house clerks, 117 small cultivators, 76 teachers, 2 priests, 2 sacristans. All the rest may be described as workingmen and working women. And with such a constituency, the People's Bank of Verviers does a business exceeding in volume the business of any other People's Bank of Belgium, excepting only that of Ghent, which as I shall show, is really not a "people's" bank at all, but a co-operative capitalists' bank. The business of Verviers amounted in 1895 to 33,707,506 francs (£1,348,300), as against 15,348,522 francs reported by the People's

7 EDWARD VII., A. 1907

Bank of Liège. Its direct lending alone (in advances and discounts without including cash credits) amounted to 6,263,545 (£250,541), as compared with 3,940,746 francs in Liège. And that with a paid-up capital of only 599,000 francs (£23,960). I have sometimes been asked: What do these people borrow money for? It would be difficult to say. No account is kept of that. And by far the greater portion of the lending is done by way of cash credits, which is in truth the most useful and most educating of all forms of lending. Evidently the cash credits granted have been put to good commercial use. For in 1895, 12,705,895 francs had been drawn out and 11,636,831 francs paid in. The account is accordingly anything but "dead." And the business is so sound that, after carrying 1,941 francs to the reserve fund already standing at 70,210 francs; and 1,001 francs to the provident fund previously figuring at 116,178 francs; besides allowing 1,500 francs to the managing committee according to attendance, the bank was in a position to pay to its shareholders 38,370 francs in dividend, at the rate of 6 per cent. From an English point of view, I look upon the People's Bank of Verviers as perhaps the most instructive that there is.' People's Banks, page 292.)

This and many other quotations that could be given dispose of the contention based upon concentration of trade. Those who would use this so-called argument ignore or forget the wants that co-operative credit associations are apt to satisfy, and experience shows their error.

LAWS ON CO-OPERATION.

The force of credit co-operation is such that, strange as it may appear, it has in most cases preceded the laws. Nothing can better show the necessity of this form of organized credit. In the inception of this movement, the legislators were perhaps hesitated in hesitating, considering above all the ideas prevailing then in Europe against any form of democracy. But now, especially in America, can any such hesitation be justifiable, with the object lessons that history offers us and the enlightenment it gives?

Mr. Peters says that the absence of a law has been very detrimental to the spread of co-operative credit:—

'In Italy, as elsewhere, the system of co-operative banking began to exist among the people before it was provided for by law, legislation coming afterwards, in compliance with a popular demand, to remove obstacles to the working and provide facilities for the creation and development of the new institutions. The first legal recognition of them occurs in the code of commerce of 1882, in which articles 211 to 228 inclusive were devoted to co-operative societies, including those of the class under consideration. This was eighteen years after the first societies of this latter class had been established in the country.' (Page 88.)

And further on:—

'One thing which is shown by the history of these associations is the large extent to which their multiplication and prosperity are dependent on the existence of appropriate laws. In Italy, for example, popular banks existed about eighteen years before the enactment of the new commercial code of 1882, which for the first time gave them a proper legal recognition; but at the end of 1881 there were only 171 in existence, whereas during the next eight years the number rose, under the favourable influence of an improved legal status, to 692. That is the number which came into existence in the eight years following the adoption of the new code of commerce was over three times as great as the number existing at the end of 1881 as the result of the efforts of nearly eighteen years preceding that date. And other illustrations might be cited to the same general effect. From this point of view the general subject of co-operative associations, and of the laws under which they have successfully operated, both at home and abroad, is worthy of the most careful study of our own state legislators, since it is in their province that the necessary legislation upon this subject

APPENDIX No. 3

must chiefly fall. And here it may be worth while to call attention to the fact that the New York law on loan associations, which contains excellent features and has even been cited as a model, is vitiated by a provision giving one vote for each share of stock, and thus placing the associations on the joint-stock rather than co-operative basis. It is well enough to permit the share-vote system, where provided for in the constitution of a society; but the system of one vote to each member should have the equal sanction of the law, and it is the one which should be adopted by every society that is to consist mainly of small shareholders.' (Page 113.)

On the other hand, such a high authority as the Indian Committee states:—

'The Companies Act, which is the only enactment in any way applicable to societies of this kind, is wholly unsuited to institutions with varying capital, apart from the expense of putting into operation the provisions of the Act. We, therefore, recommend that legislation should take the form of a special Act of a permissive character and following the general lines of the English Friendly Societies Act.' (Page 7.)

The same situation prevails here and therefore the same remedy should be applied, by the passing of a 'special Act of a permissive character.'

Mr. Nicholson has also closely examined the same question, as shown by the following quotations:—

'But so soon as it was recognized that the societies, whether the popular banks of every class in continental Europe, the Building, Friendly, or cooperative societies of England and America, and the savings banks of the whole western world, were factors of inestimable value in the social and economic problem, special laws were passed for the furtherance and good management of such societies, or special provision was made in the general commercial codes of those countries: it was at once recognized that without the assistance of the law, and without public recognition and support, the nascent organization might fail both of its true extension and of its full development; great ideas had been born, but the infant systems required support and sustenance.' (Page 14.)

Again:—

'It is absolutely necessary, if these societies are to become the sources of organized general credit to the small folk in general, and to the agriculturists in particular, that there should be a law dealing expressly with these and similar societies, and favouring their institution, management and development.' (Page 23.)

On the Joint Stock Companies Act, he says:—

'The present company law is defective exactly because it is the law of commercial joint stock companies only; it is adopted from the English company law alone, and takes no thought for the numerous other kinds of societies for which England and the rest of the world provide special laws with special privileges and conditions. One, and a very important ill result of this defective law, is the turning of society methods and ideas into a mere trading groove; the ideas and management of the directors and shareholders are based upon pecuniary profit through dividends and honoraria, whereas that side of society administration should at least be equally presented which is based upon co-operative ideas and methods. In fact, if the lessons of the several studies presented in Appendix I. are correct, it is the co-operative classes of banks which, above all, are desirable for rural conditions, for it is they which teach prudence, thrift, temperance, the productive use of capital, unselfishness and mutual help, above all other forms of banking organization.' (Page 25.)

After reviewing the principles involved, Mr. Nicholson very properly affirms that it is in the adoption 'of organized and popular thrift, and of popular distribution, that success lies; these principles must take various shapes, as in the numerous institutions of the West: it is in the general ramification of organized thrift and credit, especially in their co-operative forms, that success is to be sought.' (Page 31.)

And further on:

'All the successful systems have been the work of single philanthropic individuals, who have conceived the ideas and have personally and patiently laboured—it may be without success for even tens of years—until their ideas have become established and successful facts: it is not the State, but the individual, who has originated and developed the ideas of thrift and popular credit in Europe. Nevertheless, had it been possible to foresee the methods and the difficulties of the several institutions, it would have been advisable to assist their development by favourable laws and otherwise, as has been done when their scope and limitations, their defects and their successes, became apparent.' (Page 31.)

Now, what should be the character of such a law? The Indian Committee has expressed an opinion upon this point which can be adopted as a very safe guide in the matter, as it lays down a general principle that should govern everywhere, namely, the necessity of reckoning with the local conditions and circumstances of the various countries:—

'We consider that hard and fast rules for the institution of co-operative credit societies throughout India cannot be laid down, since due regard must be paid to the local conditions and circumstances of the various provinces, which differ widely both among themselves and from the conditions which prevail in Europe. We have not, therefore, found it advisable to attempt to follow too closely the lines of any one of the various systems which have so successfully established themselves in Italy and Germany. Nevertheless, we hold that it is possible to indicate in a general manner certain principles which should govern the organization of all co-operative societies.' (Page 2.)

ONE VOTE PRINCIPLE.

What illustrates more than anything else the essential difference existing between a joint stock company and a co-operative association is the principle of one shareholder one vote. Unlike the society based on capital, whatever may be the number of shares one has, be it large or small, he has only one vote. This system is the direct outcome of the central idea that should always prevail in a co-operative association, that of an aggregation of individuals, not of dollars or capital. No one ought to have the privilege of enjoying a larger influence because he has put in more money than his neighbour. The voting power being the same for every member, no one can exercise an undue pressure on the management of the association, or vote himself into any office where he could control the affairs and manage them according to his own selfish interests. The danger of such societies falling into the hands of speculators is thereby ~~out of question~~. *reverted to the time when there can be no such thing*

The importance of this principle has been universally recognized. No co-operative society is truly so, if this principle is not strictly acted upon.

Mr. Nicholson very properly points out:—

'*Aggregation of members not of shares.*—The subsequent chapter is one of the most important, as it deals with 'Popular Banks' under their several systems. These are generally co-operative, that is, the whole of the bank operations are conducted by the members and for the members; the society does not consist of a fixed number of transferable shares which may be transferred to and held by any one soever, but of a congeries of men all personally selected for admission to membership; the holding of a share does not make a man a member as in a joint stock society, but membership gives a right to and requires the holding of a share; the society is an aggregation of members not of shares. Moreover, the borrowers are the members and the members only; the interests of the bank are bound up with its members, that is with its borrowers, and the result is not merely safety to the borrower, but great facility and cheapness of loans—since all profits return to members—coupled with a very distinct moral influence by the society over its individual components. These societies are described in some detail as they provide credit even for the smallest folk, but usually

APPENDIX No. 3

upon what in banking is technically termed "character," on security based upon the general status, position and character of a borrower and his sureties; mortgages are little used by these societies which are specially adapted for what is known generally as "agricultural credit," that is the loans for the current needs of the agriculturist and for his working capital (Page 9).'

Mr. Peters examines also the same question:—

'In these associations—and this is a characteristic which they have in common with other co-operative associations—the investor is usually secured against the fate which so commonly overtakes the smaller investor in joint stock companies, that of finding the concern so managed as to make his interest profitless to him until he is finally constrained to dispose of it to some larger shareholder for a fraction of what it cost him. The preponderance of power which enables a few large shareholders so to manage in joint stock corporations is prevented in the co-operative credit societies sometimes, as in the German institutions of this character, by forbidding any member to acquire more than one share, and in other cases by limiting each member to one vote whatever the number of his shares, while leaving the latter either without limitation or subject to a limitation more or less elastic. The limitation of each member to one vote is, of course, calculated to discourage any member from acquiring a much larger interest than his fellows in the capital stock, but it leaves him free to do so at his own risk, subject to the condition that he shall not thereby acquire any additional power over the affairs of the society. It thus leaves a greater latitude for subserving the convenience of the more thrifty members than exists where each member is restricted to one share, and at the same time makes it possible for the society to receive a considerable amount of capital which would be excluded by such a restriction. But, while more or less inequality in respect to the number of shares held may, perhaps, be advantageously allowed, and while it might even be safe to make no restriction whatever upon this point, the maintaining of equality between the members in respect to voting power may fairly be regarded as a requirement essential to the security of the co-operative principle. It is true that there are societies known as "co-operative" which do not observe this requirement, some allowing a vote for every share, like an ordinary joint stock association, and others adopting some compromise between that and the true co-operative plan; but the vital distinction between such societies and those which give one vote and no more to each member in good standing should never be overlooked by the small investor. The similarity in name arising from the use of the word "co-operative" by both should never be allowed to conceal this essential difference in their character. Any objection to the principle of equal voting power on the ground of alleged unfairness falls before the consideration that co-operative societies are primarily designed for people in poor or very moderate circumstances, and therefore, for people who in the main are in approximately equal conditions. If among such there are some who, by greater ability, industry, or self-denial than others, can save money more rapidly than they, these will the sooner advance beyond the stage for which the co-operative societies are more particularly designed and will readily find other channels for the investment of their accumulations; and it is much better that they should do so than that societies should lose their adaptation to the wants of the average masses through an effort to adapt them to the convenience of exceptional individuals. There are instances in which the entire membership of a co-operative society consists of comparatively well-to-do persons, and there is nothing to prevent such persons from organizing on the co-operative plan with shares to suit the length of their own purse; but if they prefer to have votes in proportion to the amounts they invest, there are always joint stock companies ready to admit them to membership.

'In addition to the three just mentioned, other points of adaptation to the wants and circumstances of the working classes will appear in the accounts of the several classes of societies given further on, including especially those conditions and methods of business which look to the security of the funds intrusted to the associations; and

it will also appear that, while the largest class—the German loan and credit unions of the Schulze-Delitzsch types—were more particularly designed for the workingmen and small tradesmen of the towns and cities, these associations, with others modeled upon them, have in a large measure extended their utility to the smaller farmers and other rural inhabitants in the neighborhood of the places in which they are organized. And, in the case of the German loan fund unions of the Raiffeisen type, the wants of the rural districts have been the main object of consideration, particularly those of the small peasant proprietors and the small tradesmen of the villages.’ (Page 11.)

And further on he states that the most essential point is the ‘limitation to one vote; and that under these circumstances it would be impossible for the wealthy to gain control of a society in which the shares are placed low enough and made payable in small enough instalments to put them within the reach of the more numerous class for whose wants the credit unions are adapted. The adaptation of these institutions to the wants of the comparatively poor, coupled with (or rather including) the principle of one vote and no more to each member, sufficiently accounts for the fact that the German people’s banks have not been captured by the rich.’ (Page 26.)

Elsewhere (page 88) Mr. Peters adds that in Italy ‘there is the same legal restriction to one vote, which is really the essential thing,’ and the Indian Committee strongly hold the same view as evidenced by the following paragraph of their report (Page 6):

‘We hold it to be absolutely necessary to preclude the possibility of such societies as might be founded falling under the control of speculators. We have, therefore, decided that the number of shares or votes held by any individual member must be strictly limited, and that stringent conditions must be imposed on the transfer of shares.’

The Paris Congress of 1900 affirmed the same principle by passing a resolution in which the following lines are to be found:—

‘To consider the association as a society composed of persons rather than of capital interests, imparts, especially, a personal character to the shares and to the conditions on which they are transmissible, the limitation of the share of each associate, the unification of the votes at the meetings’....

The adoption of the one vote principle should remove all fears of speculators, the control being thereby kept forever in the hands of the interested parties, who would have always the power to protect themselves against any attempt of such a nature coming from whatever quarter it may.

CAPITAL—SHARES.

The question of capital is one of very great importance, and anything connected with it must be carefully considered before a conclusion is reached. It involves four distinct main points, namely, (1) where is the capital to come from; (2) should there be shares and how shall they be paid in; (3) shall they be withdrawable or not, and lastly, (4) should a maximum amount be fixed by law for an individual member.

As to the first point, it should be clearly stated that the capital is to come from the members only. That is the view of the Indian Committee as shown by the following extract from their report:—

‘As regards the source from which the working capital is to be obtained, the ideal system would be an association, the members of which would first accumulate capital by saving and then lend among the members the money so accumulated. The fact of being a shareholder gives a member an interest in the working of the association, and is educative in its encouragement of thrift.’ (Page 2.)

The Committee calls it an ‘ideal system,’ and I believe that in Canada the circumstances are such as to justify parliament in adopting at once that ‘ideal system’ as a basis, for the very good reasons mentioned in the concluding part of this paragraph. Thrift is one of the two main objects of such associations, and anything that could tend to encourage it should be adopted. So, too, everything which can create an interest in the working of the association should be taken advantage of.

APPENDIX No. 3

SHARES.

The second point is whether or not there should be shares, and if there should be shares, then what should be the amount of each share, and how payable.

The capital should be variable and divided into an unlimited number of shares. That is the system universally adopted, because it is the only one that can be suitable to the classes likely to avail themselves of that form of association.

On this subject of shares, the report of the Indian Committee states:—

‘We consider it desirable that, where the state of the country is sufficiently advanced and where circumstances permit, co-operative credit associations should be founded on a share basis. . . .’

And later on:—

. . . . The various means by which working capital can be obtained may then be described as subscription for shares, deposits of members of the association. . . &c.

INSTALMENT SHARES.

Then, how are those shares to be paid in. It is most important that the payment thereof should be made as easy as possible, and on this, Mr. Wolff says:—

‘However, we have still our “small capital” to provide. There is only one way in which it may be provided consistently with self-help. The members themselves must put their shoulders to the wheel, they must contribute their savings, it may be by six-penny or threepenny instalments, so as to create a fund which will at the same time benefit each individually and the whole number collectively, assuring to each a growing equivalent to a savings bank deposit, entirely his own, but so employed, by being invested in bank shares, as to enable the association to lay out the money fruitfully in loans promising to benefit the borrower and yielding a small profit to itself.’ (Co-operative Credit Bank(page 15.)

And Mr. Peters states:—

‘The shares of stock in the co-operative credit associations can be purchased gradually by weekly or monthly payments. These may be fixed at an amount to suit the circumstances of the majority of the class in which the membership is to be mainly recruited, so that each member may be enabled to begin the process of accumulation by investing such sums as he is able to save, be these ever so small. Moreover, the small savings thus invested, when united with those of the other members, form a sum which can promptly be loaned to some member having a profitable use for the capital which they form, and are thus increased by the income which they earn instead of remaining idle in the owner’s hands and subject, in many cases, to dissipation in needless or hurtful expenditure.’ (Page 11.)

With regard to the amount of each share, Mr. Wolff says:—

‘A bank may be as useful and as truly co-operative with small shares as with large. In Italy and France the shares issued are generally small, ordinarily of £1 or £2, but ranging from £4 down to 4s., according to the varying circumstances and requirements of the persons for whose benefit they are intended. Such shares have, as a rule, to be paid up in ten months, by equal instalments. But, this, though a good maxim, involves no question of principle, and the period may without detriment be extended, as indeed it often is. The people disposed to continue saving may in such cases satisfy their love of thrift by acquiring new shares after the first have been paid up.’ (Idem—page 16.)

It is to be noted that the English law do not mention any amount for each share, this being wisely left to the discretion of the society, and should be fixed by the rules.

The amount of each share and of each instalment is a matter, therefore, to be fixed by the by-laws according to the circumstances of the various associations.

WITHDRAWABLE SHARES.

The third point is: Shall the shares be withdrawable or not? The English Act makes a distinction between societies doing what is called banking and those having another object. The former cannot have withdrawable shares, while the latter can. As a matter of principle it is difficult to understand why the distinction is made, for both receive loans or deposits from outsiders. If in societies doing banking the shares are made non-withdrawable for the benefit of depositors among whom there may be outsiders as well as members, the necessity for a similar safeguard exists in the one case as in the other. The fact that in the case of the banking societies the amount of the deposit is not limited, while it is to £20 in the other, does not matter.

RESERVE FUND.

Be as it may, however, the main argument that can be invoked in favour of non-withdrawable shares is to be found in the fact that the English Act does not provide for a reserve fund to be accumulated out of the yearly profits by a percentage being put aside for that purpose. Such a reserve fund being made the exclusive property of the association as a whole, the individual members having on withdrawing, no right to a proportion of the same apart from their paid-up shares, would be the permanent capital of the society, and with its yearly increase will grow the safeguard offered by the association. The law should fix a minimum amount for that reserve fund, and until that minimum is reached the specified yearly percentage of the net profits should be set aside for that object. In case this fund is impaired by losses or otherwise, then the same yearly percentage should be taken from the net profits until it has reached again the minimum provided for. This minimum could be based on a reasonable proportion of the amount paid in on account of the shares subscribed. This guaranty fund serving as a permanent capital would safely permit the withdrawal of shares. This safeguard is not provided for by the English Act, and that can explain why the shares are not uniformly made withdrawable.

But apart altogether from the above consideration, as a question of general safety and wise management, it is most important to provide for the formation for such a reserve fund. Mr. Nicholson is very positive upon this point. He says:—

‘A reserve should be compulsory, and formed from the beginning by a percentage, say 10 or 20 per cent, taken from the profits before any dividend is announced; in the case of co-operative banks, allowing only fixed interest on the shares, a further allotment should be made to the reserve, to which also should be paid all entrance fees, and any commission specially intended for the reserve. There might be special reserves, especially for the insurance of borrowers against failures of their improvements; these would be filled by special contributions or by the allocation of surplus profits.’ (Page 382.)

Mr. Wolff is of the same opinion, and quotes approvingly the wise measure taken on this line. On page 229 of his ‘People’s Banks’ he states:—

‘I have incidentally spoken of the reserve fund, which, of course, these banks accumulate out of profit, allotting annually from 15 to 25 per cent to its formation.

‘The weaker banks are in capital, the more importance, as a matter of course, do they attach to a reserve fund; and thus we see every good bank in Italy building up as strong a reserve as it can—so strong that, in the case of the Banca Popolare of Bologna, it actually exceeds the paid-up share capital, standing at 1,292,077 liras, as against 1,260,540 liras.’

RESERVE FUND MINIMUM AND YEARLY CONTRIBUTION.

I would humbly suggest that the minimum amount of the reserve fund, when completed, be equal to the maximum amount paid in at any time on the subscribed shares, that the percentage to be taken out of the net profits be at least 20 per cent cent per annum.

APPENDIX No. 3

In order to appreciate more fully how large and reassuring are the proportions suggested, I may be permitted to draw attention to the fact that the law of the state of Maine relating to savings banks, banks that have not a dollar of subscribed capital to protect the savings therein deposited by the public, states in section 106:

‘The reserve fund shall be kept constantly on hand, to secure against losses and contingencies, until it amounts to 5 per cent of the deposits.’

Later on, the percentage was increased to 10 per cent. The amount held in 1906 as deposits by the Maine savings banks, 51 in all, was \$82,677,981.25, and the reserve fund for the same year was only \$4,695,873.74, or a little over five and a half per cent of the total deposits. In Massachusetts ‘the laws,’ said the Chairman of the Board of Commissioners of Savings Banks at the Convention of Supervisors of State Banks in 1905, ‘requires that at the time of making each semi-annual dividend not less than one-eighth of one per cent, not more than one-fourth of one per cent shall be set aside from the net profits which have accumulated during the six months last preceding as a guaranty fund, and that fund cannot be used for any purpose until it reaches five per cent of the deposits.’

In 1904 this guaranty fund was equal to 4.54 per cent of the amount of the deposits, which aggregated to \$674,000,000. The law of the state of New York does not require the trustees of the savings banks to accumulate a reserve fund. They may do so or not; it is entirely left to their discretion. The law says—section 123—..... ‘after deducting necessary expenses and reserving such amounts as the trustees may deem expedient as a surplus fund for the security of the depositors, which to the amount of 15 per cent of its deposits, the trustees of any such corporation may gradually accumulate and hold, to meet any contingency or loss on its business from the depreciation of its securities or otherwise.’

And these savings banks with no guaranty fund required by law, and like those of Maine with no capital, were in 1904 holding about twelve hundred million of dollars of deposits. These banks are commonly called in the United States uncapitalized savings banks, because there are a few others who have a capital for the protection of the depositors. The amount held by these uncapitalized savings banks aggregate now at least three thousand millions of dollars of deposits, with the only security of the five, ten or fifteen per cent, according to the law in the various states, of the average deposits as a reserve fund. Still the confidence of the public is made very apparent by this vast amount of deposits entrusted to these institutions, administered by self-chosen gentlemen acting as philanthropists, and not directly answerable to, nor selected in any way by the depositors themselves who provide those funds.

The above reference to the United States savings banks, considered as very safe, if one can judge by their success, shows that the suggestion I have the honour to offer is very liberal indeed and *evinces a desire* to create a reliable basis of operations for the future co-operative credit associations to be organized under the Bill.

On this point, Mr. Peters states that the German law provides as follows:—

‘In the form of constitution framed as a model for credit unions registered under the new law, it is provided that until this fund amounts to 15 per cent of the total paid-in capital of the society it shall be reinforced each year by adding to it 15 per cent of the net profits; and if, through the use of a part of it to cover losses it is reduced below the standard just indicated, it must be brought back to that level by the same yearly addition from the profits as before. This fund remains the property of the society until its dissolution, and no member retiring before that time can claim any share of it as a part of the amount due him; but all members benefit by it so long as they remain in the society since the income it earns is one of the sources of the profits which form the dividends.’ (Page 28.)

These quotations show that the quantum suggested is comparatively very high and affords ample guarantee.

DEPOSITORS—NON-MEMBERS EXCLUDED.

Another reason why the shares of co-operative societies doing banking under the English law cannot be withdrawn, can be found in the fact that the Act permits these societies to receive deposits from non-members. As those depositors have no right to be heard in the management of the affairs, it is but fair that they should be protected in another way, hence that proviso. But as I am of opinion that, upon a question of principle, deposits should be received only from members, in order that co-operation should be complete everywhere, I would prefer to see the right to receive deposits from outsiders denied under the Bill before the committee, and in its stead to put in a proviso making all shares withdrawable, while a part only is so under the English Act. Having no deposits from outsiders, nobody could complain. The depositors being all members, could protect themselves by the exercise of their right to control the management and inform themselves thoroughly as to the real situation of the affairs of the society in which they are shareholders as well as depositors.

To sum up the above in a few words, I would say that in the credit societies organized under this Bill, the shares should be withdrawable, because, (1) of the formation of a guaranty fund in the shape of a strong reserve; and, (2) of the exclusion of non-members as depositors.

In the following extract, Mr. Wolff goes much further than I do and advocates withdrawable shares combined with the right to receive deposits from non-members. He says :—

‘It allows us to do actually anything that we are at all likely to desire to do—bank, discount, take deposits from any one; only we must not issue withdrawable shares. That restriction certainly appears to me a matter for regret. For, from a co-operative point of view, withdrawable shares are decidedly preferable to non-withdrawable, and they would go some way towards warding off the “unco-operative” practice, always apt to creep in, of levying toll upon incoming members at a progressive ratio, in the shape of a premium upon shares. The beau-idéal of shares in a co-operative concern is what the French call parts sociales fixed contributions, which do not vary in issue value.’ (People’s Banks, page 375.)

Speaking of the Switzerland people’s banks, he states that retirement is made easy, members being even in several cases ‘allowed to retire at any time without notice.’

The shares being after all under this system mere savings deposits, with, it is true, a certain character of permanency derived from the fact that they are supposed to be at the disposal of the society for a much longer time than ordinary petty savings put aside for daily wants, and as such having the right to a higher remuneration out of the yearly profits, the following quotation of Herr Schenck, a very high German authority on the matter, and approvingly given by Mr. Peters, applies fully to the present case :—

‘But the question presents itself in quite a different aspect if we consider small deposits, the modest sums saved by the artisan, the labourer, or the peasant, sums which, if they remain in the hands of the owner, disappear or are wasted in useless or perhaps hurtful expenditure. Such sums are savings—bank deposits properly so-called. These, within the proper sphere of their operations, the associations should invite, should employ them usefully within the same sphere, and make them directly or indirectly serviceable to those who have accumulated them by their labour and self-denial. This is a duty to which the associations are called by their nature, their object and their own interests, and one whose performance assures them a regular and constant supply of money, deposits and withdrawals balancing each other. Experience has shown that in times of crisis it is not the savings bank deposits which are first withdrawn.’ (Page 30.)

My own experience extending over six years in a similar society confirms abso-

APPENDIX No. 3

lately this view, the shares becoming steadier, realizing thereby the prevision upon which they were instituted.

A WITHDRAWABLE SHARE CAPITAL NOT AN OBSTACLE TO PROFITABLE LOAN.

Can it be seriously argued that withdrawal shares would prove an obstacle of a nature that either credit could not be granted through loans to members or that the association would soon find itself plunged into very grave embarrassment, if not insolvency, by being unable to realize its assets.

A daily experience extending over half a century has demonstrated in the most conclusive manner that such apprehensions have no foundation whatever. In Europe, more particularly in Germany and Austria as well as Italy, loans are currently made for five, ten and even twenty years, out of funds so withdrawable at any time or upon short notice, without any trouble having ever arisen. The vacuum created by withdrawals is invariably filled up by fresh funds coming in, and even the total amount available goes on increasing instead of diminishing. In a recent lecture delivered before the annual meeting of the Agricultural Organization Society, held in England on December 11, 1906, Mr. Henry W. Wolff could truly state that savings collected by the German people's banks amounted yearly to 'five millions pounds sterling in excess of withdrawals,' and that for 1905, the last full year reported upon, '921 such banks among them lent out 150 millions pounds sterling.' And he added that 'at least one-fourth of that goes to agriculture.' And why such results are they possible? 'Simply because,' says Mr. Wolff, using his own words: 'You do not seem to have any idea what a marvellous gift co-operative banks have of ingratiating themselves with local people as savings banks. But that is what forcibly strikes every one who visits them abroad. Therefore, Lord Avebury was quite right when, in 1887, he recommended them to the House of Commons as model receptacles for savings. You may observe it at their very first start, in their most feeble infancy.'

Here Mr. Wolff, who very closely follows up the movement of expansion of these banks all over the world, gives a very telling instance of the productivity of these associations as saving receptacles. He states:—

'In Cypress a friend of mine has started fourteen village banks, as nearly Raiffeisen as he could make them under adverse circumstances, in as many wretchedly poor villages. Within one year their savings deposits averaged £200 per bank. The collective amount represented more depositors and totalled up to a higher figure than all that the far more pretentious government savings banks, working over the whole island, could boast of after five or six years of its existence.'

But what has just happened in India is still a far more striking example to the same effect.

'In India,' says Mr. Wolff, 'the same registrar, under the Act of 1904, who about a year ago advised me that among the wretchedly poor rayats of his presidency savings deposits were absolutely out of the question, now states in his last annual report that savings deposits are coming in nicely, that the members of his banks have bound themselves by rule to deposit each year so much for every rupee rent paid, or for every plough employed. 'If this continues,' so he adds, 'and there is every prospect that it will, the problem of financing these banks will settle itself.'

Why should we not expect the same results here? If, therefore, funds are so easily coming in and in such increasing ratio every year, there cannot be any trouble to apprehend in loaning them, even if a fair proportion should be utilized in pretty long-term investments. Of course experience will show how far prudence will allow to go, but in point of fact the question in itself need not disturb the mind, for a reliable basis will be found as time goes on. On the other hand, we have not the bank deposits withdrawable by checks, that are daily loaned out with apparently the greatest safety to all parties concerned? Of course call-loans go in for a proportion,

but after all it is a matter of mere good common sense and prudence. If bankers were told that they cannot utilize at all those funds because they are liable to be withdrawn at any moment, they would not pay interest on such idle funds, not being able to afford it without the profits derived from the loaning of them. Moreover, the bank deposits must be considered, coming as they do from the general public, not particularly interested in the fate of the banks, or concerned with the possible outcome of prompt withdrawals, as of a more risky character from this point of view than would be those that would be attracted by the co-operative credit association, as they inevitably will be, as shown by the experience of Cypress and India. The depositors in these latter being the very interested parties, it is not likely that they would act rashly or with the same stiffness as a bank depositor is liable to do because he does not care whether the bank be embarrassed or not.

Again, working in a small area among people knowing each other there cannot be any movement susceptible of producing large withdrawals without it being discovered long before the consequences are seriously felt, so that ordinary precautions could be taken to meet any such emergency, although such is very unlikely to happen.

LIMITATION OF THE MAXIMUM OF SHARE CAPITAL A MEMBER MAY HOLD.

In connection with the question of capital there arises another one of a very considerable importance, that of the limitation of the maximum amount that a member may hold in shares.

The English Act states that this amount cannot be higher than £200. To understand the meaning of this strange restriction, it is necessary to know why it was put in the law. Obviously the object was to prevent speculators from having the control of the society and managing it, not as a co-operative association, but as a mere joint stock company, trying to get from it as much profit as they possibly could at the expense of the general public and perhaps of the rest of the members who happened not to have deserted the society. That such object is a laudable one none can deny. But is that the only way whereby that object can be attained? Most assuredly not. A more commendable mode would be to restrict the right of voting to one vote only. And this the English law does not. It would insure the object in view in a better way without the injury of curtailing the right of the members to continue to invest their savings as they choose, and of depriving the associations of a larger flow of funds with which they would work to better advantage and so make the shares more profitable. This restriction should not exist, above all, in a co-operative credit association. In fact, why not give the widest possible scope to thrift, one of the two main objects of such a society being precisely the encouragement of thrift. Between the two modes of preventing speculators taking control of a cooperative credit association, the one by limiting the amount of shares capital allowed to a member and the one vote system—I humbly suggest the latter as affording a surer guarantee than the former. In a small society a few wealthy members may have the maximum amount determined while most of the other members may possess only one or two shares each, and with the system of voting based on the number of shares, those wealthy members, if they are speculators, could control the society.

VOTE BY PROXY PROHIBITED.

This danger is still more apparent if one considers that the English law does not prohibit the use of proxies. With the right of voting by proxy, speculators could easily gain the control if they wanted to. If I am permitted, I will suggest, as an additional guarantee against any possible attempt of that kind, to prohibit voting by proxy, except with regard to corporations. The well known evils of the proxy voting system have not and cannot possibly have, in connection with these associations, having a very limited territorial field of operation, any appreciable redeeming features. In England these co-operative societies doing banking have by law the right to sell shares and accept deposits all over the country; the proxy voting may there-

APPENDIX No. 3

fore be a necessity, but when their field is limited to a very small area, as it is in the present case, the same necessity cannot have force enough to justify in running the risks of the numerous abuses that can and do very often arise with proxies.

CREDIT CONFINED TO MEMBERS.

But apart from the highly effective safeguards already enumerated, there are many others of a very important character which deserve to be pointed out in order to give a correct conception of the system advocated for the good of our working classes. In the first place, members only are to enjoy the right to borrow from the association, and members are chosen by the board representing the society.

Mr. Wolff rightly insists, with great force, upon this point:—

‘The first safeguard relied upon is the election of the person to whom the loan is made, as a trustworthy, respectable, presumably honest and honourable person. Lending to non-members would be altogether contrary to the principle of the bank.’

Mr. Wolff here adds that this ‘favourable judgment passed upon the incoming member by his neighbours, already in the bank, consequently interested in its welfare and success, forms the first wall of security for the society. The man has been judged eligible; therefore presumably, up to a certain point, he is to be trusted.’ (Co-operative Credit Banks, page 28.)

Then, the credit that can be granted to members is assessed by a commission specially appointed for the purpose and perfectly independent in their dealings, and they have no remuneration for their services, having therefore no fear to lose anything by discontentment on the part of members having been refused loans. Upon this point again, Mr. Wolff is very positive:—

‘Co-operative banks, therefore, are in a peculiarly strong position to deal with their members. If they do not in all cases insist upon knowing all about every loan—some people’s banks do—they are aware that they possess substitutes for such knowledge. In addition to profiting by the touch or the means of information at their command, which have been already explained, they may appoint special ‘discount committees,’ sometimes with a ‘risks committee’ tacked on as a supplementary institution. The business of the ‘discount committee’ is, so to speak, to ‘assess’ every member in respect of credit, to mark against his name, on a register kept strictly private, known as the ‘castelletto,’ a figure representing the credit which the manager will be authorized to give without further inquiry, always assuming the member’s credit not to be already otherwise pledged. Two or three members, combining for the purpose, may assign their joint credit to one of their number. Should a larger credit be asked for, the manager will have to refer the matter to the committee, which may or may not decide to grant it, securing itself as it thinks proper. The ‘risks committee’ keeps full records of all the transactions engaged in, both with members and their sureties (who are often outsiders), as to amount, promptness of repayment, any trouble given, &c. The registers, carefully kept and admirably indexed, serve as a most valuable guide for further transactions. By means such as those indicated, the interests of the bank may be pretty effectively safeguarded, subject to further securities such as every loan transaction presupposes.’ (Co-operative Credit Banks, page 32.)

SUPREME AUTHORITY VESTED IN THE GENERAL ASSEMBLY.

Moreover, the members are not like ordinary shareholders in joint stock companies who, most of the time, are made cognizant of the wrong when the wrong can no longer be effectively remedied, being governed by an almost autocratic board of directors who for twelve months can, to a very large extent indeed, do as they please. In a co-operative society the members delegate only such powers as are absolutely necessary to the proper working of the routine business, and keep to themselves the

right to decide previously any case having an important bearing upon the well-being of the association. Mr. Wolff says:—

‘Co-operative banks being, as has been explained, specifically “customers,” not “proprietors,” banks, the first point to be kept in view in devising an organization for them will, as a matter of course, have to be, to make sure that the customers’ interest are adequately protected and really made paramount. There can be no “board of directors,” holding the helm, more or less in independence of the members and restrained by merely a doubtful responsibility. The supreme power as regards the government of the bank and jurisdiction on all issues which may arise must be absolutely vested in the general body of members, which must be in a position to hold its officers fully responsible and to re-hear cases decided by them. The more this democratic principle is actually brought out in practice, the more the fact is emphasized that the bank is the bank of the members, to be administered for the members, and virtually by the members, the better is the bank sure to thrive. There cannot possibly be any better protection to the bank for the security of the values which it administers than a keenly awakened interest and sense of responsibility and solidarity existing among the members, every one of whom should, if possible, become to some extent vigilant watchmen over its interests. Nothing is calculated to awaken more vividly what is known as the “co-operative spirit,” nothing is more certain to ensure the realization of the ulterior object of the bank, that is, the suggestion to members of co-operation for other purposes, the mutual support of one another with such power as each may stand possessed of, in all affairs of life to which combination is applicable and qualified to lend additional force.’ (Co-operative Credit Banks, page 38.)

This constant and possible interference of the general assembly is made practicable by the small territorial area assigned to the association, a meeting being thereby always a very easy matter to arrange whenever such meeting is deemed necessary or advisable.

It is apparent that the officers are to carry out but the instructions given to them by the general body of members, as it is also part of their duty to submit for the approval of the general assembly whatever measure they think should be taken in the best interests of the association.

BOARD OF CREDIT-MEMBERS NOT ALLOWED TO BORROW.

In order to better safeguard the association against any possible abuse, it should be positively stated in the by-laws, if not in the law itself, that those who are called upon to decide who shall have loans and who shall not, should not have the right to borrow. It is undoubtedly a very delicate and dangerous right to exercise, above all when one has to pronounce upon his own credit, and in spite of the inconveniences that would arise in some cases, it would be a great mistake not to deny that right to those who are to fill those grave functions in a co-operative society. Too many evils of a contrary practice have resulted elsewhere not to take a wholesome lesson from these evils and prevent them by all possible means.

The members of the Indian Committee have been struck with the force of this safeguard, for they said in their report:—

‘In urban associations the president should not be allowed to take loans during his term of office, and in both village and urban associations no member of the committee should be allowed to adjudicate upon his own application for a loan.’ (Page 6.)

Thus it would be seen that the committee did not think necessary to go as far as as I am suggesting by inserting a complete prohibition against the officers ministering the loans to be made; however, I am so convinced of the necessity of such a prohibition that I would consider it a fatal mistake if it was not enacted in a clear way.

COMMITTEE OF SUPERVISION.

It has already been stated that in these co-operative associations the supreme authority is exercised by the members themselves in general meetings, and the powers

APPENDIX No. 3

delegated to the officers are restricted in their nature and only of a purely executive character. These well-defined powers are limited to the requirements of operations of a very simple and local business. But even these precautions have not been considered sufficient, and as there were to be inconveniences to members to call them often in general meetings to examine the management of the Boards of Administration and Credit, another board was created called Committee of Supervision. This last board have very wide powers of a controlling character, but have no right to decide important questions arising in the discharge of their duties. All that they can do is to appeal to the general meeting, which holds the supreme power to pronounce upon those matters. These supervisors correspond to the auditors in companies, but their powers as qualified above are far more extensive. They are selected yearly by the general meeting from amongst the shareholders. Their number may vary, but three is considered enough. They are re-eligible.

They watch over all the operations of the association; frequently check the cash, the investments and securities; see to the carrying out of the by-laws, regulations and decisions of the committee of credit and direction especially as regards loans and renewals: they must ascertain frequently the exact value of the securities in hand and, in a word, take cognizance of all the documents they deem useful for the performance of their duties. The committee of supervision has the right to examine and audit all the books of the association. They are bound to call an emergency general meeting of the shareholders if they find anything serious in connection with the management of the association's affairs or any violation of the statutory prescriptions relating to the administration of the moneys paid into the funds or of the securities exacted for the repayment of loans. They may, in the event of emergency or of extraordinary cases, suspend the salaried officials and members of the committee of credit, but shall at once report their reasons to a general meeting of the shareholders who shall decide on the same.

They shall, when the case is not of sufficient importance to necessitate the calling of a general meeting of the shareholders, report their observations in writing to the council of administration. The latter shall be bound to act accordingly and, if necessary, to remedy the state of affairs pointed out so as to remove all subjects of complaint. Should the council of administration not act, refuse to take up the matter, or neglect to take the proper steps to remedy the state of affairs pointed out, whereof the committee of supervision are constituted judges, they may bring the matter before the next ordinary or special general meeting that may be held, by entering the same on the orders of the day.

They shall, generally, take the most suitable steps for ascertaining the progress of the association's affairs which are entrusted to the various persons whose services are either gratuitous or remunerated and take every means to see, as far as possible, that the by-laws and regulations are faithfully observed. The members of the committee of supervision are chosen from amongst the shareholders who do not belong to the council of administration, the committee of credit or any other temporary or standing committee and who hold no office, whether salaried or not. The members of the committee of supervision are not allowed to borrow from the association. In this respect their position is similar to that of the members of the committee of credit and management in order to ensure their perfect independence and impartiality. They must submit a written report to every annual general meeting of their doings.

I would humbly submit that the provision in the bill relating to the auditors should be drawn so as to convey the general idea set out in the foregoing definition of the duties and powers of these officers, and that their name be, if possible, changed so as to give a more exact conception of their functions, as the word auditor, as generally understood, carries a much more restricted meaning than the one indicated here as appertaining to these supervisors.

As it will be readily seen, this committee represents the general meeting sitting in permanence alongside the officers and boards entrusted with the management of the

7 EDWARD VII., A. 1907

affairs of the association and watching their acts. This supervising body is another safeguard that cannot be but highly appreciated.

OFFICERS WORK GRATUITOUSLY.

Mention has already been made incidentally of the fact that the officers are to work gratuitously. Mr. Wolff is very clear upon this point, and I cannot do better than quoting such an authority to strengthen my own view:—

‘Beyond this,’ says Mr. Wolff, ‘officers are expected to work altogether for nothing—not only in order that only the most trusted and the most willing may be selected, but also in order that they may be fully independent, free to refuse favours to improper applicants, who might threaten in revenge to turn them out of their “office of profit” become covetable under the circumstances, by the hostile use of their vote. There is only one officer who is allowed to draw a moderate salary, and that is the secretary or treasurer, or clerk—call him what you like—who is entrusted with the purely mechanical work of carrying out the committee’s directions, and has no voice whatever allowed him in the responsible management of the bank, the election of members, or the granting of loans. In such manner everything is kept “clean” and straight. Such abuses as we see in some co-operative societies at home and abroad, in which the salaried staff of the society invests itself, in virtue of the votes which it possesses, with the power of a Praetorian guard, more or less arbitrarily nominating committee-men, not according to their fitness and conscientiousness in the discharge of their duties, but as they make themselves agreeable to the staff by indulgence, are altogether impossible in banks so organized.’ (Co-operative Credit Banks, page 38.)

GENERAL PRINCIPLES THAT SHOULD PREVAIL IN CO-OPERATIVE CREDIT ASSOCIATIONS.

In discussing the long debated question of ‘agricultural and industrial credit,’ Mr. Wolff outlines incidentally some general principles that should guide the management of co-operative credit associations. The following lines are worth remembering in order that they be applied faithfully:—

‘Your man must be absolutely trustworthy; your transactions are likely to be comparatively few. Loans will be demanded for long terms, the turnover will be slight. The margin between incomings and outgoings will be small. You will have to cut down expenses to the utmost and make gratuitous services the rule, which you can the better do since the call made upon your officers is not likely to be very exacting. You cannot adopt commercial methods, which your clients will not understand and which would be out of place. But you have all your members well under your eye. You can control every one of them, and make them control one another. You can interest the mass of your members even in the petty affairs of the bank, and so make your machinery more effective by arming it, to repeat my earlier simile, with watching eyes and checking hands at every point. You can effectively check your clients’ employment of their loans. You can bring class feeling and local feeling, and moral and social influences to bear. Therefore, if you have to be very careful in the selection of your members, you may also stoop very much lower in the social scale, and admit even very poor persons, so long as you can make tolerably sure that they are honest. Business with outsiders becomes an impossibility. Finally, resting your system mainly on liability, you must apply yourself to strengthening your available capital by carefully raising up a reserve fund, which you can scarcely make too strong.’ (“People’s Banks,” page 39).

So stated, the two cases appear to me, at any rate—fully to explain themselves, and there seems no room for even theoretical antagonism between them. The two methods are not rivals. Each directly supplements the other; and, indeed, each seems incomplete without the other to supplement it. It is satisfactory to think that after long, needless, and bootless hostility between the advocates of the two, the view to

APPENDIX No. 3

which I am giving expression is coming to be more and more accepted, and on this score peace between traditional rivals seems at length in prospect.' (People's Banks, page 39).'

LOANS—THE SMALLEST PREFERRED.

A co-operative credit society being designed to help the poorer classes, it should therefore look first to the wants of these classes. The best way to reach that object is to make it a strict rule to give a preference to the small loans which are likely to come in much larger proportion from the poors than from the well-to-do individuals. This will seem rather out of place in a period where everything seems to be done for one purpose only, that of making money by all means and before anything else, these loans being those that are the less profitable if made at a reasonable rate of interest, as it is always the case in such societies, because no other rate can possibly prevail. But it should be remembered again that in such an association the make-money-quick doctrine has no foothold. Its very existence is due to quite another object, and unlike, to quote Mr. Wolff (Co-operative Credit Banks, page 11), the 'capitalist or joint-stock banking exists for the avowed purpose of earning out of its business a maximum profit for a restricted number of traders; the few avowedly live upon the many, the traders upon the customers. A co-operative society is a customer's society, created, not to earn a profit—a profit which, coming from the same purse into which it is ultimately to go, would be an illusion—but to supply a service, in the interest of all.'

And Mr. Peters writes upon the subject as follows:—

'It is, in fact, one of their principal aims to let the members share as widely as possible in the advantages they have to offer, one of the rules laid down for their observance being that, other things being equal, the preference is to be given to applications for small loans, so that the number of members accommodated may be as large as possible. As a matter of fact the small transactions greatly preponderate. It is said that loans as small as one lira are not unknown, and that those of less than twenty lire (\$3.86) form a majority of the whole number, while the largest number of deposits are less than fifty lire (\$9.65) in amount.' (Page 88.)

Further on, he adds these most significant words:—

'While this shows that the growth in the business of the co-operative banks is far from being as rapid as the growth in their number, it is an indication of an increasing breadth of distribution for the supply of local needs, and seems to imply that the function for which such institutions were designed—that of catering to the wants of the poorer classes—is being increasingly well performed.' (Page 91.)

This preference granted to small loans has another great advantage, that of been much safer, for it is very seldom that, say a hundred dollars divided up in ten or fifteen small loans is not more punctually repaid by honest borrowers as are those of a co-operative society, than by one individual who would have borrowed the same amount in a lump sum. This is the teaching of a daily experience in such matters.

OBJECT OF LOANS AND CONTROL OVER THEIR EMPLOYMENT.

But what is of paramount importance both to the borrower and to the society, and is a serious element of surety for the punctual repayment of the loan, as evidenced by an experience extending in Europe over half a century with uniform good results, is the obligation on the part of the borrowing member to state clearly the purpose for which he asks for a loan. The by-law requires that he shall do so, and if he does not comply with this rule the loan is invariably refused, however good may be the surety offered. This is a valuable safeguard for the association, because its object is not to make a profit out of a loan, but to help its members by a wise use of credit for production or obtain a saving on an expense that would be higher if money could not be had at the proper time. As already quoted from Mr. Nicholson, it is not mere

credit for the sake of the benefit to be derived by the lender that is granted, as banks do, for instance, provided the security is good, but it is one of a particular kind, the really productive credit that is looked for and satisfied.

No other loan should ever be allowed on any pretext by the members of the credit board. I remember one striking case in which, acting as president and manager of the association I have founded at Lévis, I deemed it my duty to enforce that rule of our by-laws.

A member came to me and asked for a \$15 loan. I put to him the usual question: What is it for you want those \$15? And as he hesitated to answer, I insisted by reminding him that if he did not loyally tell me why he was borrowing I could not even submit his request to the board, he informed me that his object was to visit some distant relatives on a pleasure trip. I told him that I need not ask the credit board to lend him one cent for such an object, because they could not do it without violating the rule laid down in the by-laws, which rule was binding on everybody. Still, I must say that his credit was splendid, and that I had not the least doubt about his ability and willingness to pay at maturity. Why such a prompt and strict refusal? Because the object was not of a productive character, and to grant it would have been an encouragement to useless expenditure, whatever good sentiment may inspire the demand.

This rule is enforced by no less a punishment than expulsion if a member succeeds in deceiving the representatives of the society and obtains such a loan in stating what is not true, or utilize the loan for another object of an unproductive nature.

Now, the advantages to be derived from such a rule are obvious, and need not be referred to here in detail, but the following quotation from Mr. Wolff is worth reading in this connection, as it gives a fair idea of these advantages as a whole:—

But that only means breaking the first ground. The member is presumably honest. But does his intended outlay promise a return—will it repay itself? And is it legitimate in his particular case? These questions are very searchingly considered and according to the judgment passed in committee, under a sense of responsibility kept carefully alive, is the answer given. The committee are in respect of this matter strictly bound, not only by rules, and by their liability engaged, but, in addition to this, by the acknowledge that all that they do will be from time to time inquired into very carefully by an independent controlling body above them, which, in the interest of the bank, will not allow them to 'stretch a point.' There is no difficulty made, if the case should be thought to warrant it, on the score of amount or of time. A loan, to be a real help, must be adequate to its purpose. And it must also be granted for a sufficient length of time to make it practicable for it to repay itself out of its own production—or else the borrower will find himself hampered rather than helped, driven to taxing other sources of income in order to repay. But the object must be sound, and it must be legitimate. It may be to enable the borrower to procure for himself materials for his trade. It may be to enable him to tide over a slack time or avoid a loss by selling commodities below their proper value. It may be to assist him in doing more ample justice to his opportunities, in trade, on his farm or in his domestic economy. He may want to drain a field, to sink a well, to buy a cow or a pig, to build a shed or a house, or to make a road. It may be to enable him to purchase for cash at a considerable economy goods which he wants and for which otherwise he would be made to pay 'through the nose.' It may be to get him out of a usurer's clutches. Many and many a loan has been granted for this purpose, with the very happiest results, to poor wretches who, almost ruined by usury, had scarcely a shred of solvency left. But all this has to be inquired into carefully by men who know the applicant, know his circumstances, who can watch him, verify facts, and who have a strong personal interest in not exposing themselves to loss.'

That is not enough. The borrower, when receiving the loan is required rigorously to bind himself to its employment only in the manner specified, on the outlay for which it has been approved—subject to the penalty of having it called in at very short notice (generally four weeks), should he fail to carry out this engagement. This is the

APPENDIX No. 3

process in praise of which the Duke of Argyll—surely a judge of authority—has written these words. ‘Your system of strict payments and watching the loan is admirable.’

‘But even that is not enough. The borrower must engage to pay interest promptly and to repay the principal by regular instalments, which are, for educational reasons, and also to ensure good, business-like management, unmercifully exacted. Banks will forgive anything rather than unpunctuality in meeting obligations. (Co-operation Credit Banks, page 28).’

I have said that a bank does not care to inquire into the proposed expenditure of the money that it loans so long as the security is good. The same custom prevails in Europe, as is shown by the following words taken from Sir Horace Plunkett’s evidence before the Select Committee of the House of Commons of England on money lending, that sat in 1897 and 1898. On page 99 of the report of 1898, Sir Horace said: ‘A bank lending to a farmer does not go into the question as to whether the business is likely to repay the loan, but the bank simply looks to the material security that the farmer is able to offer.’

I may add that the agricultural co-operative credit society started in Ireland mostly through the labours and perseverance of Sir Horace Plunkett, and there are now over 230, have all adopted the rule here spoken of. As to the value of such a rule, Sir Horace Plunkett says further on:—

‘Now, I might point out that the special features of the system, which seem to have this educational and elevating effect, are what are known as the “approved purpose” of the loan. This seems to educate the people up to a point where they distinguish between the two kinds of borrowing—the borrowing to increase their expenditure and the borrowing to increase their production. When they are clear upon that point, and when you get a whole district banded together to enforce the observance of the principle that poor people must only borrow—except in cases of dire necessity—to increase their production, the whole difficulties of the system disappear, and we find that the people are ready to take any amount of trouble, to make any sacrifice, in order to master the details of the system and to put it into operation.’

He adds also that another great advantage of the system is the surveillance over the application of these loans.

Thus it is seen that two distinct features distinguishing the loans of a co-operative credit society are, first, the stating of the object for which the money is borrowed; and, second, the control whereby the association makes it sure that the funds are not wasted and the borrower made poorer.

As the question discussed now relates to productive credit, the following extract from Mr. Wolff in ‘Co-operative Credit Banks’ shows the undeniable advantage of this form of association as a force applied directly to production:—

‘But while it was mainly for the benefit of the smaller industries that this particular form of co-operation was originally designed, and while it has abundantly proved its utility in that sphere, it would be a mistake to suppose that its utility must cease in any branch of industry now carried on by many small producers, if the introduction therein of some new method or process shall give an indisputable advantage to the larger system of production. It is really in such a case that co-operative banking may be expected to yield its most valuable results, since it is there that it can most contribute to the realization of the comprehensive views with which co-operation, as a general system, has from the first been associated. This it can do, and, in a greater or less degree, already has done, by serving as a stepping stone to productive co-operation, in which the advantages of aggregated capital are combined with those of divided ownership. It may safely be affirmed that the measure of success in productive co-operation would have been far greater than it has had the way for it been more generally paved by co-operation in the comparatively simple and practicable form of the loan association or credit union. The habit of saving inaugurated by joining such an association, and this, too, by the small beginnings which alone are possible to

most of those who enter such societies, is strengthened by exercise and encouraged by the fact that every sum paid in becomes at once an active capital and begins to earn something for its owner. And if, after the lapse of years, during which this habit of saving has been confirmed, the spirit of association quickened and the principle of co-operation made familiar, the member of a co-operative credit association, or people's bank, finds a favourable opportunity to join in some co-operative enterprise requiring a larger investment, he now has an available capital which by insensible growth has attained a respectable magnitude. Moreover, he has had a preliminary training, one of whose most valuable features is that it is of a kind to familiarize the kind with the application of practical and business-like principles and methods to co-operative purposes, and is, therefore, calculated to predispose those who have enjoyed its advantages in connection with co-operative banking to the use of similar principles and methods in co-operative production.' (Page 15.)

MAXIMUM OF LOAN.

Another very important feature which can be considered as an effective safeguard against grave abuses, is the fixing of the maximum amount that can be loaned to a member. That a good many financial or loan societies have been ruined by abuses which could have been prevented by a rule prohibiting the loaning of large sums to one individual need not be demonstrated. Unfortunately the fact is well known and nobody can have any doubt upon the danger of allowing a free hand to the officers, however reliable and deserving of confidence they may be, in such an important matter. Abuses are liable to creep in at any moment, and it is far better to put once for all a bar that will prove effective under any circumstances. No wonder that in connection with all the other numerous safeguards, these associations have thought necessary to adopt such a beneficial measure for the better safety of the members' funds.

The general meeting of the society determine the amount that an individual member is allowed to borrow upon securities deemed good by the Credit Board, and not a dollar can be loaned in excess of the maximum so fixed. This maximum can be increased or decreased by the general assembly of the members upon the recommendation of the board of management. This recommendation is necessary in order to prevent any possible surprise or too hasty a change. By this proceeding, the question is well matured, and the members keep full and complete control upon one of the most important subjects in connection with the loan operations.

AGRICULTURAL CREDIT.

In Europe the agricultural credit is a question that has been the subject of a long and warm debate. Without going into such a question, which the eminent economist Léon Say, has already set at rest by proving that there is indeed only one credit, applicable to all human industries, and that there is only one difference arising from the nature of the various industries, that of time to obtain the return expected from the outlay made for labour and raw material. Agriculture requires a longer term because of its special conditions, time being an all-important factor that nothing can replace or shorten. Hence the necessity of granting to farmers a special term that is based on the length of time necessary to raise their crops and to sell them advantageously. In Canada farmers require credit as elsewhere, and as in European countries a large proportion of them can have and do obtain credit from the ordinary joint stock banks. In the west, for instance, the capital necessary for the moving of the crops is readily available either directly or indirectly. There the farmers' operations are carried on a more or less large scale, and the yearly necessity referred to is well provided for to the mutual advantage of the bankers and of the farming community. The same thing occurs in other parts of our country where the conditions are more or less similar. But apart from the moving of the crops requiring a large amount of funds for a very few months, there are others and numerous much similar needs or of a different kind, that are not adequately satisfied, because there does not exist

APPENDIX No. 3

a special machinery quite adapted to these wants. In these cases credit to be adequate should run for a much longer time than the banks can afford. Of course mortgage credit is available, but for 12 or 18 months or more, it is a very expensive credit, on account of the incidental costs which raise the price of money to an abnormally high figure. In eastern Canada the agricultural credit for small farmers is almost entirely unprovided for except in a very primitive sort of way, and in most cases, more ruinous than advantageous, leading very often to very bad results, involving the farmer in endless troubles and, as a consequence, the selling of the farm at sacrifice. That kind of credit is wanted more or less everywhere and would do immense good if well organized as it is in a co-operative society. It cannot be denied that such a society can alone exercise the proper restraint and control upon the use of credit in order to prevent in a large measure the abuses which are disastrous in so many cases. That is the experience here as well as in every country of the world. The credit given out by the village association is the right kind of credit, because the borrower, as just seen above, has to state why he is borrowing it, and the association make a point to watch the employment of the money so obtained. This question is discussed by Mr. Wolff in the following lines:—

‘Again, there is banker’s credit already available for farmer—banker’s credit of a kind. Not the free, ready credit always obtainable as a matter of course, and always to be depended upon, such as the trader may claim, and does not claim in vain; but an occasional loan on “character”—or rather on the security of property which the farmer is supposed to possess, or on standing crops—credit which is intended rather to help the borrower out of a difficulty than to supply him with the means for engaging in some profitable enterprise.

‘There is always a smack of favour about this kind of credit and a suspicion of embarrassment. It seems to cut a notch into the borrower’s financial reputation. In any case, it is a matter of bargain and negotiation, to be treated for in every particular instance, granted for a certain length of time, stated or understood, and is, accordingly, resorted to only in the hour of need—very often when credit comes too late to be of any use. It is a specimen of what M. Léon Say has well stigmatized as “illegitimate” credit—“consumer’s credit,” M. Leroy Beaulieu calls it—credit given to meet expenditure already incurred, credit which accordingly cannot yield a profit; as contrasted with “legitimate” or “productive” credit, credit given for a purpose of production, which may, if judiciously employed, assure a gain.’ (People’s Banks, page 65.)

Again:—

‘I come back to the question which I asked above: Why cannot ordinary credit provide for the farmer what he needs?

‘There are very potent reasons, one of which the president of the Imperial Bank of Germany, Dr. Koch, made very clear when speaking upon the subject of credit to agriculture not long ago in the German parliament.

‘Returns,’ so he says, ‘are in agriculture incomparably slower than in trade and industry. As a rule, it may be said that a twelvemonth is required for turning over a sum invested. If there should be a failure of crops, or any other misadventure, one year may not suffice.’ Dr. Koch quotes Professor Marchet as laying down in his standard book on “Agricultural Credit” that the farmer is not in a position to repay his debt till after the close of the “period of vegetation,” and that at that point of time he can repay it only on the supposition that his new harvest should prove adequate for making good the deficiency of the last. That very uncertain factor “nature,” so Dr. Koch observes, “enters into the calculation. It is from this cause as well, and not only because the turnover is in agriculture so much slower than in other callings,” that the difficulties arise. The Imperial Bank of Germany, so Dr. Koch went on to explain, “an institution corresponding in importance in Germany to what the Bank of England is among ourselves—advances to agriculture in the course of the twelve-month not less than £12,000,000. Generally speaking, he added, the farmer who bor-

rows the money is not at all aware of the fact that it is from the Imperial Bank that he procures it, because he collects it from brokers and dealers who act as intermediaries. But these men would be wholly unable to grant the credit had they not got the Imperial Bank at their back—an institution strong enough and willing to grant such inconveniently long loans.

Other bankers who deal in credit to agriculture entirely confirm Dr. Koch's statement. "*L'échéance agricole*," so remarked to me M. Scotti, director of the People's Bank at Acqui, which does mainly an agricultural business, "*n'est que nominale*." Losses are infinitesimal. But you can never tell when the money will come back to the bank. So it is at Lodi, at Cremona, at Rovigo, at Augsburg, at Gotha, at Cosel, at Insterburg. At Insterburg I have found that there were agricultural loans outstanding which had been running for more than fifteen, even up to twenty years.

'Agricultural credit then is a kind of credit which it is not worth the ordinary banker's while to give; in the first place, because it is asked for an inconvenient length of time—a time which may be altogether uncertain, and which will certainly be too long for occasional lending and too short for permanent investment. The banker and the capitalist lend as a matter of business, not as a matter of philanthropy or public duty. Conditions must be made somehow to square with their interests, or they will have none of it. There is no other unwillingness on their part. They are ready to undertake any business which will keep them safe and give them market value for their money.' (Page 68.)

The conclusion which one cannot escape is that credit has to be organized under a special form to suit special conditions and circumstances, and that co-operation alone can adequately answer the purpose, without injuring in any way the banking operations, on the contrary, in helping them by the general prosperity that would result.

CO-OPERATIVE CREDIT ASSOCIATIONS MUST BE ESSENTIALLY LOCAL.

One of the main principles which must be strictly adhered to is that a co-operative credit society should always restrict its operations to a very limited area, a municipality or a parish, as the case may be. It must be a local organization to be safe and successful. The force of this rule has been proven again and again; it has been confirmed by prosperity to those who have followed it, as well as by disasters to those who have been tempted to violate it, in the hope, no doubt, to increase their profit. The very nature of such an organization prohibits any very extended area, and the moment this is neglected, other methods much inferior from the point of view here set out, based on pure commercialism, have to be adopted to comply with the necessities of a new and wider field in order to avoid ruin. The same safeguards no longer hold good, because the situation becomes entirely changed, and the results must inevitably be of a doubtful character. Where safety was the rule uncertainty prevails, and credit becomes timid on account of the ignorance in which the association is about the good reputation and honesty of those appealing credit to their help.

As stated in the following quotations, this form of co-operative association must be essentially local in all respects to be sure of a successful career.

Mr. Nicholson states as follows the numerous advantages to be derived from such local institutions:—

'Of all these classes of banks, those established on co-operative and possibly communal principles, are most strongly recommended, in that they promote not merely cheap and facile, but safe credit, that they admit of grouping the banks into unions for support and mutual assistance, that they develop thrift, temperance and foresight beyond all other forms of bank, that they are consonant with the ideas of village life and associated village effort, that they tend to prevent the too rapid or complete disintegration of the village into individual units, that they develop joint action in matters even more essential than credit, that they tend to substitute helpful co-operation for the struggle of competition, and that they teach unselfishness, mutual assist-

APPENDIX No. 3

ance, and self-help as principles of life in a way that no other credit societies can accomplish.' (Page 21.)

And in his recommendations with which he concludes his very valuable report, he says:—

'The decisive advantage of village banks are as follows:—(1) Their absolute proximity to the borrower; (2) their ability to excite local confidence and consequently to draw in local capital; (3) their exact knowledge of their clients and their influence over them as co-villagers; their consequent ability to prevent fraud and to dispense with searches in registration offices; (4) their power of making the smallest loans and of undertaking operations, however petty, in consonance with village custom and individual needs; in fact, of giving preference to small business; (5) their ability to dispense with any prior general liquidation of debts such as have been demanded as a preliminary to the establishment even of Taluk banks; they would ascertain in each case the borrower's prior debts, arbitrate with the creditor for a favourable settlement for cash down, pay down the sum settled, and accept the debt as due to themselves; (6) their ability to work cheaply, almost gratuitously, and thus to provide cheap credit; (7) their retention of local capital and of all profits thereon, within the village, and, in the case of co-operative societies, their retention of all profits for the members and borrowers; (8) their ability to act as agents and brokers for their members in the sale of produce and purchase of necessities; (9) their capacity of acting as village granaries, lending grain for maintenance, and seed in ordinary years from their own resources, and in time of distress from those resources supplemented by state or other grants; (10) their ability to act as intermediaries between the state and the individual, whether in matters of loans for land improvements, cattle, etc., or in other agricultural or industrial developments, or in times of seasonal stress; (11) their power of influencing borrowers towards the true use of credit, and of watching the utilization of loans in accordance with contract; (12) their ability to prevent fraudulent defaults and collusive sales of property, and in cases of default, to utilize advantageously the small properties accepted as securities for loans; (13) their tendency in the case of co-operative banks, to group themselves into unions for mutual development, instruction, inspection and audit; (14) their steady educative influence in matters of thrift, association and self-help, by their continuous presence in the village, by their continuous object lessons, and by their frequent, though small, calls upon the activity, thought and service of their members; (15) their tendency to develop high forms both of individual capacity, of public life, and of national character. Or finally, and most desirably, they may be true co-operative societies and banks, operating through, for, and upon the members, stimulating and collecting their savings, calling forth habits of thrift, economy, and prudence, guiding their outlay into productive channels, giving them credit for productive and useful purposes, promoting co-operative dealings in sale or purchase and stimulating activity, union and associated action among the too isolated units of village life.' (Page 372).

On the other hand, Mr. Wolff emphasizes his views in the following strong words:

'The banks are on the spot and identified with the locality. Accordingly, local people take a sort of pride in their success. Moreover, they are administered by people of the local population's own choice, persons whose names generally stand for safe management. They have not only, like the official savings banks, a slot in their wall through which to receive money, but a mouth wherewith to give advice and a heart wherewith to feel. In their keeping depositors may, so to speak, 'see their money, see it safely held, see it laid out profitably in the locality, benefitting the district, and producing more money, whereas in the official savings bank it disappears, to go no man rightly knows where—up to the large monetary "wens," where it helps to embarrass instead of serving to help.' (Co-operative Credit Banks, page 24.)

And in his book 'People's Banks' he strongly deprecates the idea of opening branches, which is an indirect violation of the local principle that should be adhered to in its entirety:—

'Even co-operative loan associations, it has become plain from experience collected, more especially in Italy, must not step outside the district within which they are genuinely local and co-operative, unless they would miss their effect. Co-operative banks endeavouring to extend their work over a wider district by means of branch offices, where there was not sufficient touch, found themselves making a loss. The branch districts afterwards organized their own independent banks, based on touch and mutual knowledge of one another among members, and the new institutions thrived. The losses sustained by co-operative associations in Germany in the course of their operations occur almost without exception amongst such as have attempted to work outside their own district or without a recognized district at all.' (Page 23.)

Mr. Peters is of the same opinion, and affirms that co-operative credit associations must be 'essentially local in their character. From this it results that the members—especially in the smaller country towns—are to a great extent personally known to one another; while the managers are also well known to the members, and have themselves the best opportunities to learn the character and circumstances of every applicant for a loan and the reputation of every new candidate for membership. Their loans, too, are made in the very district—and that of limited extent—within which their membership is obtained; so that the securities upon which they depend can always be kept under observation.' (Page 115.)

This shows conclusively that that principle should be strictly enforced. To depart in any way from it would be a fatal mistake that would tend to destroy the very foundation upon which these associations are to be built up to be truly co-operative in character and in fact, not mere speculators' concerns got up for profit's sake derived at the expense of an innocent and deceived public, led away by the word co-operation without the substance.

THE RATE OF INTEREST.

Happily here the question of the rate of interest is a very secondary one, as it is to be settled by the interested parties themselves. However, it is well to say a word or two with reference to it. Generally, the rate is fixed by the board of administration elected by the members. In arriving at a conclusion the board have to consider the average rate of interest prevailing in the district for loans and the necessity of rewarding the thrifty who provide the funds. This is an easy question to solve to the general satisfaction of all concerned, for no such society can be in a position not to offer greater advantages than any money lending individual or institution, on account of the very modest expenses of management. As Mr. Peters points out:—

'Even where the rates of interest obtained by the co-operative banks seem somewhat high, they are usually far lower than those paid by the same classes of borrowers before these institutions appeared. Moreover, under the new conditions, the high rates operate effectively as an extra inducement to saving, and by thus increasing the supply of capital and the consequent competition among lenders, they tend to their own cure.' (Page 15.)

It is nevertheless needless to insist upon this point, as the members of the association have the matter in their own hands and can make their opinion prevail whenever they wish by electing a board representing their views on this point as upon any other.

SUCCESS OF CO-OPERATIVE CREDIT ASSOCIATIONS BASED ON SIMPLICITY OF BUSINESS AND WELL DEFINED RULES.

Taking a general survey of the question, to what must be ascribed the wonderful success of that form of organized credit? Mr. Wolff answers this question as follows:—

'Lastly, there is the simplicity of business. Raiffeisen rules most positively interdict "banking," or business, or risk, or speculation of any kind. Their "business" is simply to lend and to borrow. If a loan should go wrong, under such circumstances

APPENDIX No. 3

you know exactly what you can in the worst case be made liable for. That £1 or £10 absolutely limits your loss. There can be nothing ulterior. And joined to this simplicity of business is the simplicity of business arrangements, bookkeeping, organization, and so on. Everything is simple, everything is intelligible.' (People's Banks, page 149.)

The association lends to its members and borrows from them by receiving their savings, either as shares or deposits. Nothing could be more simple, the more so still when one considers the conditions under which this is to be done. There is nothing, too, that resembles banking, properly speaking; nothing that has the risky character of such dealings, but everything tends to impress the mind that such an organization is rather a kind of economic family working in its own interest and for its own good.

Speaking of the success achieved by the 'Banca Popolare di Milano,' Mr. Wolff says:—

'Summing up the history of the bank, Signor Mangili ascribes its success to the gratuitous rendering of services by the officers, the non-limitation of its capital, the smallness of the payments exacted, the restriction of each member to one vote, the refusal of confidence to any member who has shown himself undeserving of it, the preference given to credit services over profit, and the exclusion of any hazardous operation.' (idem, page 219.)

These causes operate to the same extent if not to a much larger one, in any association, however small it may be. In fact the smaller it is, the more indispensable is the rigid application of the above principles, the outcome of experience and wisdom.

SUCCESS OF THE CO-OPERATIVE CREDIT ASSOCIATION.

Without giving an elaborate statement on the great success of these institutions as evidenced by their spread in all civilized countries, with a very few exceptions indeed, it would be interesting to have a general survey of the situation as outlined by the authorities who have made a special study of the question. Although the data upon which they based their appreciation are almost ten years old, nevertheless they show a magnificent record. And far from having been stationery since, the movement has steadily grown in surface and in importance during the last decade. France alone has more than tripled its then record, and Ireland has since taken a prominent place with its 230 agricultural banks organized through the valuable and noble work of Sir Horace Plunkett and the Irish Agricultural Organization Society. India has also begun the good work by the passing of a law on co-operative credit, and the formation of a good many such local associations, as evidenced by the report of the Registrar quoted elsewhere.

In case I may be taxed with being too enthusiastic about the results of this movement, I beg to specially draw attention to the following lines borrowed from as great an authority as the Indian Committee, presided over by such an eminent financier as Sir Edward Law, minister of finance of India, and having in its membership the manager of the Commercial Bank of Calcutta, Mr. Reginald Murray. This report says:—

'The "agricultural banks" which have been so successful in improving the condition of the poorer classes in European countries rest upon co-operative credit, and we have confined our attention to banking on this basis. In concluding that a system of co-operative credit is capable of affording great benefits to the agricultural community of this country we have the general support of the opinions expressed in the reports recently received from local governments which we have had the advantage of consulting.' (Page 1.)

In Italy the movement has evinced a marvellous vitality and has produced results that have provoked the admiration of such an eminent economist as M. Léon Say, late Minister of Finance in France. In his book, 'Dix jours dans la Haute Italie,' in the opening page, he states:—

'It was not for love of art, but for the sake of the agricultural credit, that I took a rapid run through Upper Italy. I brought back with me many striking impressions which I desire to set down in this paper. Later on, when at leisure, I will take up again the inexhaustible subject of the history of Italian savings, which at this moment I can only skim over, and I will then try to draw from all the institutions, whose organization I have admired that which, in system or in form, might be usefully tried in our country.'

This remarkably eulogistic expression of opinion need not be commented upon in order to see the force of it, coming as it does, from such a high authority on those matters.

Wishing thirteen years later, in 1896, to publish a new edition of his book, he asked his friend, M. Eugene Rostand, president of the great Savings Bank of Marseilles, and an enthusiastic apostle of private initiative or self-help, to report on the progress of the movement he had admired in Italy in 1883. M. Léon Say in his letter to M. Rostand wrote:—

'This expansion of the little Italian associations caused me to become enamoured of individual initiative, and more and more disgusted with state socialism.'

In his very able and comprehensive statement prepared in answer to Mr. Say's request, Mr. Rostand states:—

'Regarding co-operation credit, to what must we assign the stability of those Italian associations of popular credit amidst the upheaval that swept away so many ordinary monetary institutions? To the superiority of their principles; the extreme subdivision of their operations and the preference given to the smallest of them; the avoidance of speculations, the moderation of profits, the disinterestedness in the management—wherever these principles were observed they assured salvation. Wherever there were failures it was because they had been infringed. And to what is due the tenacious ardour that prevented panic or abandonment? To the energetic spring of local sentiment, a result of economic decentralization: an example by which our patriotism should profit for the sake of that France which is abandoned to an excessive concentration of savings and of assets.

'How could we not be struck with the vitality that such a movement awakens? Everywhere does it draw new strength, from the educative virtue of trials as from the spirit of emulation. The truly national services that, through its economic effects, it renders are singularly increased by its moral effects; it strengthens every form of assistance that mutual help gives to the working people; it unites the national elements instead of weakening them by antagonism; it paves the way, through the internal peace of souls, for social peace.

'A spreading vitality is that which imparts to all parts of a nation the ceaseless exercise of its forces; free local action, approved and sustained individual initiative, encouragement rather than impeded association, co-operation creative of cheap living, the minimum of misunderstanding and division between classes, devotedness of the best and most contented to the fulfilment of civic and social duty, a taste for practical advancement without excluding the spirit of tradition.

'What special virtue is there not in decentralized action? All that autonomic local activity, springing from rights, but also from the will to exercise those which we lack, and which careful Frenchmen claim—so far, also, in vain—under the name of decentralization.

'A wise decentralization constantly engenders energetic individualities and vigorous enterprises.'

And now, Mr. Wolff, in his book, 'People's Banks,' is not less strong on the success and possibilities of this movement. He says:—

'What untold riches these People's Banks have within the forty-six years of their existence made available for small folk's needs, what millions they have added to the wealth of the countries in which as M. Léon Say testifies, "they flourish

APPENDIX No. 3

throughout;" what vast amount of misery, ruin, loss, privations, they have either averted or removed, penetrating wherever they have once gained a footing, into the smallest hovel, and bringing to its beggared occupant employment and the weapons wherewith to start afresh in the battle of life, it would tax the powers of even experienced economists to tell. Propagating themselves by their own merits, they have overspread Germany, Italy, Austria, Switzerland, Belgium. France is trying to graft them upon her own economic system. Russia has in her own rather primitive way followed the excellent example. Servia and Roumania have adopted them. And now we hear of their spreading from Italy into far Japan. China has got something like them already, while we in Great Britain scarcely yet know of their existence. The solution has all the more to recommend it among ourselves, because it is essentially based upon a principle of which this country has long been regarded as the specific home, the principle of self-help. Self-help, it is quite true, has of late, gone a little out of fashion. We are taught sometimes to look at the other deities to bring us out of the Egypt of want and distress. Nevertheless, whatever it be reserved for State-help to accomplish, in England self-help is not likely long to want adherents. Unfortunately we have thus far given to this great power only half its practicable application. "It is self-help" phonographed, early in 1890. Mr. Gladstone to a delighted body of correspondents across the Atlantic, who thought that they had never heard their co-operative principle so neatly and tersely vindicated: "It is self-help which makes the man; and man-making is the aim which the Almighty has everywhere impressed upon creation. It is thrift by which self-help for the masses, dependent upon labour, is principally made effective. In them thrift is the symbol and the instrument of independence and liberty, indispensable conditions of permanent good."

'Yes, that is admirably said, and with the truth of Mr. Gladstone's words no one will be disposed to quarrel. That is the interpretation which we have thus far put upon "self-help." "Save, lay by, economise, make the most of your pence, alike in provident accumulation and in economic outlay," that is the familiar counsel which for many a year back we have persistently addressed to our poorer brethern.' (People's Bank, page 4.)

This was written in 1896. We find that since valuable efforts have been made in England to introduce this system of co-operative credit associations. In his report to the Paris congress held in 1900, Mr. Devine, secretary of the Co-operative Banks Association, could say:—

'In 1894 were founded the People's Bank of Nottingham and that of Newport; in 1895, that of Finsbury Park, London, which is almost exclusively composed of workmen and the shares of which, set down at 1 pound sterling, are payable at the rate of 6 pence per week; in 1898, that of Tottenham Court Road, London, established for the purpose of helping small traders. In 1899, at London, the Association of Co-operative banks, under the presidency of Mr. Yerburg, member of parliament, was established. Its aim is to favor the propagation of rural and urban credit; its principle is religious and political neutrality. Its action brought about the founding of the People's Bank of Bethnel Green and of Stepney in London, of Yardly in Birmingham, and of Hull, Yorkshire. All these banks are of limited responsibility, with small shares of 1 pound sterling, payable in amounts of a few pence per week. They are affiliated, for a small consideration, to the central association, which gives them advice, while still leaving them their autonomy.' (International Congress of Popular Credit of 1900, page 24).'

The report of the Sixth International Co-operative Congress, held at Budapest in 1904, contains very valuable statistics on the co-operative credit movement and the spread, of co-operation generally. From this source, I gather the following figures relating to the leading countries of Europe. An attempt to give a full description of the extension taken by this form of association in every country would be too long to be introduced here.

In Hungary, according to the report just referred to, Count Mailath, member of the House of Magnates, said that in 1903, the number of co-operative credit societies was 1,653, with a membership of 366,721, a collective share capital of 34,040,734 crowns, and reserve funds of 2,284,738 crowns. And Count Mailath adds that 'the figures show that the number of societies has more than doubled in two years,' which fact, he says, is due to the legislation.

In France, according to M. Charles Gide, an eminent economist and president of the Central Committee of the French Co-operative Union of Distributive Societies, the number of co-operative credit societies which, in 1902, stood at 873, had by 1903 grown to 1,038.

In Germany, Dr. Hans Crüger, chairman of the Central Union of the Credit Societies, states that the total number in 1904 was 13,299, with 1,600,858 members, and total assets amounting to \$517,176,407.

In Austria, Mr. Carl Wrabetz, chairman of the General Union of Austrian Co-operative Societies, reported that in 1903 there were 6,445 credit societies, with, besides 312 in Bohemia, 232 in Moravia and 11 in Silesia, making a total of 555, or a grand total of 7,000 societies for the Austrian empire, Hungary excluded. Including this country, this brings up the total to 8,653 credit societies for the empire.

Italy had 2,500 co-operative credit societies, with a membership of 594,894 and an annual trade of 606,783,401 francs.

In all this huge movement of funds what is most striking is the comparatively small amount for each society, showing that each one is moving in a small area, but doing nevertheless, in its sphere, very beneficial work indeed. Taking all the countries of the world, there cannot be any doubt that the total number of co-operative credit associations is now over 35,000, and if co-operative societies of all sorts are counted, the grand total should reach fifty-five thousand, with many millions of members.

INDIVIDUAL EFFORTS HAVE BEEN THE SOURCE OF THIS VAST MOVEMENT.

After having studied the co-operative movement, affecting more particularly thrift and credit, a question naturally arises in the mind of every one: What has been the source of this vast and beneficial expansion?

No doubt the framing of good and liberal laws has had much to do with the spread of this movement; the governments and parliaments of the various countries well advanced in civilization have contributed a large share in giving force to the efforts made, but it is noteworthy that the main part of the success is to be attributed to private individuals, who have fought with courage until they had reached the goal of their constant labours. Mr. Nicholson was so struck with this peculiarity that he could not refrain from mentioning it in a special paragraph of his report. He says:—

'But it is noteworthy that the great popular movements in thrift, self and mutual help have invariably emanated from individuals and not from authority as usually understood; Schulze-Delitzsch laboured, and the German popular banks came into being; Raiffeisen toiled through long years, at first with slow success, till thousands of societies call him "Father" Raiffeisen; Luzzatti and Wollemborg, in Italy, have equal claim as pioneers of the Italian movement; the savings banks and building societies of Great Britain and the United States are the outcome of individual effort.' (Page 14.)

Mr. Nicholson could have added the names of Mr. D'Andrimont, in Belgium; Count Karolyn and Count Mailath, in Hungary; Eugène Rostand and Charles Rayneri, in France. This shows that the force of strong convictions, founded on sound principles, can accomplish much where direct state interference would prove almost of no avail and give but very scant results. It is an admitted fact that wherever governments have tried directly to organize a popular movement on economic grounds they have invariably failed, because, no doubt, people expected them to do everything and to put up any amount of funds. Indifference at least was the answer of the interested public, while a hasty and fruitful response was obtained by a propaganda emanating from

APPENDIX No. 3

individuals strongly impressed with the usefulness of their labours for the cause they had espoused. The government in France, under Napoleon III., has tried the experiment, and has utterly failed in his attempt. The same thing has been done in other countries and the results have been nil.

Good liberal laws is the best weapon that can be put in the hands of those who wished to work out co-operation for the benefit of the masses.

TWO BASIC PRINCIPLES OF CO-OPERATIVE CREDIT.

The Paris Congress of 1900 passed the following resolution on the subject embodying their views upon the best methods to foster such a movement, and the very principles upon which these associations should be organized. They proclaim that private initiative and free local associations should be the foundation of such a movement of credit:—

‘The development of co-operative credit should spring from private initiative and from free local association. The observation of its development in the countries where it has grown confirms this view.’ (Page 15.)

CO-OPERATIVE CREDIT SOCIETIES IN INDIA.

This vast movement could not have escaped the attention of the world of high finance and of banking. The Bankers’ Magazine of London, England, thought it would be interesting to its readers and in its issue of February, 1902, pp. 253 to 257, published the following article signed by Mr. Reginald Murray, manager of the Commercial Bank of Calcutta, and member of the special committee appointed by the government of India in 1901. As coming from a financial and successful banker of considerable standing, the following lines penned by Mr. Murray carry a great deal of weight:—

‘Your readers have, of course, heard of the Raffeisen banks or societies on the continent, but few, perhaps, knows how successful they have been and how extensively they have assisted and attracted, by a system of mutual credit and responsibility the agricultural and industrial classes. As allusion has lately been made in the London papers to Mr. Sutton Nelthorpe’s Agricultural Bank in Lincolnshire, and Mr. Rider Haggard’s letter to the *Daily Express* has given so much information concerning the Raffeisen system, it is needless to include further description in this preface to the report of the Committee on Co-operative Societies in India. I have thought it advisable to preface this publication of the report with the above remarks, so as to show that there is in the United Kingdom, as well as in India, a state of things calling, not for monetary support, so much as intelligent organization. The conditions in India as regards wealthy banks and companies is, of course, quite different to those which obtain in the mother country, but the conditions as regards the great majority are not dissimilar, although the deserving majority are probably greater and more helpless out here than at home. The condition in India is aggravated by the fact that credit of a kind is granted to the suffering majority. But it is of a kind which leaves the recipients worse off than they were before and reduces them to the condition of bondsmen. The great majority in India are agriculturists, weavers and other industrial hand workers; also clerks on small salaries. The majority so-called, is very many times larger in India than in the United Kingdom, and probably the conditions approach more nearly to those obtaining in Italy. In any case, it is clear that if agriculture and industry do not pay the labourers they cannot be progressive, more especially in a country where the failure of an owner of property involves litigation which may be extended over several years before new proprietors can be admitted and obtain full rights.

‘Before transcribing the report of the committee which met at Simla last June, I beg to offer a few explanatory remarks embracing briefly the general intentions of the legislation proposed. I had the honour to be invited to serve on the committee

7 EDWARD VII., A. 1907

as a banking expert, and trust that I was not wholly useless. But my chief impression, when the work of the committee was done, was that I had gained much more information than I had given. Every member of the committee was in one way or another an expert on the subject. Reference to the subjoined reports of Mr. F. A. Nicholson, of Madras, and Mr. H. Dupernex, of Cawnpore, give evidence exhibiting very considerable knowledge and application. Mr. Wilson, the Settlement Officer of the Punjab, is one of the ablest civilians in India. Mr. J. B. Fuller, now secretary of the Department of Revenue and Agriculture, has during his service been one of the most energetic of district officers, and has taken more than usual interest in all that concerns village life and agriculture; and Sir Edward Law's varied service as president of two international finance commissions, in Constantinople and Athens, has been such as to give him an experience which few of his predecessors holding the portfolio of finance have brought with them. The principal experts of the committee were Mr. F. A. Nicholson, Member of Council for Madras, and Mr. H. Dupernex, a comparatively young civilian of Cawnpore. It is not possible within the range of this article to include more than the notes of these two officers which are attached to the report but those who wish for fuller information can obtain it from the perusal of Mr. Nicholson's two volumes alluded to in the report, and to Mr. Dupernex's useful little book entitled *People's Banks*. The evidence given before the committee by Mr. E. D. MacLagan, Settlement Officer, Multan, and Captain Crosthwaite, Settlement Officer, Dera Ismail Khan, is not only interesting, but exemplifies in a marked degree the different ideas and customs which have to be dealt with and specially provided for in various districts or provinces. It is necessary to understand these details in order to appreciate the difficulties which must attend legislation framed with the object of bringing home to a population, varying in social and religious customs, according to the district, but each doggedly conservative and suspicious of innovations, that they can by very simple organizations very materially better their conditions.

'The report of the committee is brief but comprehensive and hardly needs any further preface, but for those who prefer a general summary the following may afford a useful guide to the salient points of the argument. It need only be added that Lord Curzon has taken the subject in hand to assure your readers that the legislation proposed is not likely to be allowed to wither, but will be pushed to its furthest practical application.

'The first consideration before the committee at Simla was the exceptionally unfavourable position of all the poorer classes in regard to credit and inducement to save money. Then followed the obvious suggestion that no improvement could be obtained until the cost of borrowing on the part of these classes was reduced below the rates at present charged by native money lenders. Hence it was determined that improvement of credit was the chief desideratum, and that the only discernible means of improving it was by mutual co-operation. The general idea of the public as to the objects of the present proposed legislation has been that the government were going to establish a kind of credit mobilier in order to pay up the outstanding debts of agriculturists and release them from the toils of the money lenders, and naturally it has been asked, What will the government have as security when they have done so? This was the course suggested and attempted to be put in operation by Sir W. Wedderburn in 1882, but failed, as it must always fail, from the fact that any attempt to reclaim such debts not only entails the advancing of crores of rupees, but also induces debtors, in collusion with the money lenders, to vastly increase their indebtedness with the object of increasing the amount of assistance which they hope to receive. And thereafter how is the government, or whoever advances the money, any better off than the money lender as regards security? Now, the latter's rate of advance is on the average not less than 25 per cent per annum, and frequently is equivalent to 50 per cent or even higher. In the northwest provinces and the Punjab, 25 per cent is the unquestioned minimum for advances to agriculturists. In addition, the money lender secures to himself the sale of the crops at a fixed price, which is generally much below the market value.

APPENDIX No. 3

‘Allowing that the conditions of these advances are extremely onerous, it would be opposed to ordinary reason, or would pre-suppose a very low status of intelligence among the masses, to conclude that the original burden of usurious interest was not induced in a large degree by the insecurity of the borrowers.—“Insecurity” is, of course, an indefinite negative, and is here introduced antithetically, as will be presently explained. The chief point is, that lending for agricultural purposes and also for native industrial purposes has long since reached the stage of usury, the effect of which is, as experience infallibly shows, the gradual effacement of the borrower and his credit, and the reduction of himself to an unproductive cypher. Consequently, agriculture and native industrial enterprise are heavily handicapped and are unprogressive.

‘The causes which have brought about the regrettable condition of the working classes, who are by no means deficient in intelligence or application, are social and religious customs, which, however good and appropriate they may have been at the time of their inception, have become fossilized and unyielding in practice; but owing to centuries of changing and usurping dynasties, none of which established a permanent or extended system of government until the British began to rule, these customs have come to be regarded, and have to some extent acted as a governing and protecting influence, much in the same way as the rules of secret societies. But their influence has been essentially to deaden the springs of human action and expanding intelligence, and to confine both one and the other within the narrow limits of a traditional past without regard to the pressing necessities of a rapidly evolving present.

‘Hence, it becomes logically evident that, before advances can be granted on moderate terms, something must be done by the borrowers themselves to improve their credit and make them free agents; because, naturally, they have at present nothing to offer as security, either actually or prospectively. It is absurd to suppose that they can all at once improve their credit, whatever they do or is done for them, to such an extent as to clear heavy debts already contracted, but there is nothing to prevent them from improving their credit to an extent which may enable them to derive a larger surplus from the result of their present and future labour and intelligence, and with such surplus gradually pay off their old debts. To enable them to do this it is proposed:—To pass an Act and frame special rules for the encouragement and formation of co-operative societies on similar lines to those of the friendly societies in England and the Raffeisen societies on the continent.

‘The argument is that one man wanting to borrow money has to pay rates of interest which defy all possibility of his ever reaping the just fruits of his labour and intelligence, but if a number of men offer their united security, the terms on which they can obtain advances will be considerably easier. Co-operative credit societies, therefore, have for their object the banding of individuals together in order to obtain money at reasonable rates of interest, and to distribute the money so obtained among their members, and only among them, in small sums and under fixed rules. The margin of profit between the rates at which societies borrow from outside and lend to their members should gradually create a reserve fund, which, being indivisible, must annually improve their credit.

‘The motive power of these societies must be self-help, and it is recognized that to create self-reliance the government must interfere and assist as little as possible, the action of the latter being confined to showing the people how to act, and to providing legislation and rules for their guidance and protection.

‘Experimental societies already formed in the northwest provinces and the Punjab indicate that co-operative credit is well understood and appreciated both by borrowers and lenders, and the latter have, in many instances, already come forward with money to advance to such societies on reasonable terms. In Madras, there has been for many years past a system of Nidhis, or native banks, founded and used for purposes which have a partially co-operative effect, and it is conceived that these will quickly remodel their systems in order to obtain the privileges and exemptions which the legislature propose to afford to co-operative societies.

Therefore, it seems probable that the government will not be called upon, unless in very few districts, to make loans for the promotion and support of co-operative societies; nor, beyond the inspection by a registrar or other district officer, will the government direct, regulate or interfere with the free action of the committees appointed for the management thereof. The Raffeisen system has been so eminently successful on the continent, that with conditions equally or more favourable for its growth, it is difficult to doubt suitability and success in India.

The proposals now under consideration will not for some time directly affect the operations of the ordinary joint-stock banks, but in proportion as co-operative societies accumulate wealth by means of extended credit they will tend to increase the volume of interchangeable commodities, and when that happens the ordinary joint stock banks are bound to derive benefit, both in the form of deposits and custom.

CO-OPERATION IN GENERAL.

In the preceding pages one form of co-operative associations has been somewhat fully examined, the figures as well as the appreciations given relate only to that form of co-operation, but from this it must not be implied that I have lost sight of the wonderful benefits already derived from other forms of the same principle as applied to the various economic fields. I have the greatest admiration for the marvellous results achieved by distributive and productive co-operation. The good that the workmen in towns and cities, as well as the agricultural classes have derived from both is so striking that it deserves the highest praise. To prove this I need to refer only to three countries where, under different forms, co-operation has been most beneficial to the humbler classes.

England is at the head of all so far as distributive co-operation is concerned. In 1903 the total number of co-operative societies was 1701, (among whom were 146 productive societies), numbering 2,116,127 members; the share capital was £27,017,278, the sales were £89,216,223, and the profits had reached £9,873,385. A very interesting feature of these societies is their house building. In 1903, 344 societies reported as follows:—

Houses built and owned by the societies.....	8,247
Houses built and sold..	5,080
Houses built by members on advances made by the societies	23,940
<hr/>	
Total houses....	37,267
Money expended by societies on houses owned	£1,658,810
Money expended by societies on houses sold to members..	1,141,267
Advances by societies on houses built by members	5,327,078
<hr/>	
Total	£8,127,155

Such splendid results tell their own story in a forceful language, and are of a very encouraging nature to all.

Let us now consider what co-operation has done for agriculture specially.

Denmark, the gem of agricultural co-operation, stands as an example to be followed by all countries. The International Alliance Congress report of 1904 contains these very striking statistics:—

	Members.
The co-operative societies for common purchase now have about..	200,000
The co-operative creameries..	150,000
The co-operative slaughter-houses..	67,000
The egg export centres..	65,000
<hr/>	
Total..	482,000
As compared with, in 1901..	400,000

APPENDIX No. 3

The total turnover of these societies was:—

In 1901.....	£12,080,000
1902.....	12,890,000
1903.....	14,214,000

And their total production of butter; bacon and eggs:—

In 1901.....	£ 9,800,000
1902.....	10,570,000
1903.....	11,414,000

As the total exports of Denmark during 1903 were somewhat under £20,000,000, it will be seen that the exports of the co-operative societies, being £11,414,000, amounted to 57 per cent of the total exports from Denmark.

Switzerland, another small country like Denmark, is using co-operation as a very effective means to better the conditions of the poorer classes. The report above quoted states:—

‘The imposing roll is really to be accounted for by the fact that the law is distinctly favourable to the formation of societies under the co-operative name, being elastic and applicable to almost every variety of common action. Nevertheless, the majority of the 4,400 societies spoken of may be looked upon as genuinely co-operative.

‘Among the various groups composing the total given, the largest, in point of numbers, is that of societies placed in the service of agriculture, and formed to assist in the production or else the sale of agricultural produce. Foremost among such are the co-operative “cheeseries,” numbering by themselves, about the middle of 1903, 1,536. Next follow, at a rather respectable distance, co-operative distilleries, societies for the sale of fruit or products of the same, wine and honey, and for pasturing cattle in common on the high Alps. Taking all agricultural co-operative societies together, we find that there are about 1,700 or 1,800.’

And further on:—

‘Next to this class of societies for common sale of products, follow, in point of numerical strength, the societies formed to serve for the common supply of goods or the common utilization of means of production. There are about 1,200 of these. Of that number, about 500 are agricultural, rendering their members excellent service in the common purchase of fertilizers, feeding stuffs, implements, seeds, &c.’

And these telling examples could be multiplied if necessary, for Germany, Belgium, the Netherlands and other countries have many thousands of such societies giving as good results and promising much larger ones in the future. Even Canada, although having no general law to foster their establishment, has already some co-operative associations doing well, as proved by the evidence adduced. This shows what could be expected from the working of a good law.

CO-OPERATION IN THE BARRACKS.

In order to give an idea of the almost unlimited possibilities of co-operation, I may be perhaps allowed to quote the interesting paragraph that follows, borrowed from the monthly review ‘L’Emancipation,’ published at Nîmes, France, by M. de Boyve, a veteran of this movement in that country:—

‘We knew, thanks to “l’Union Militaire” of Italy, the advantages and benefits that co-operation procures for the officers. Two recent communications inform us what co-operation can accomplish for the soldier.

‘One comes from M. Chéron, Under Secretary of State in the War Department:—

‘The other day,’ said he, speaking from the tribune of the House (sitting of December 10th, 1906), in a visit made to the infantry barracks at Havre and at Fort Saint-Adresse, ‘I found, working in the most satisfactory way, co-operative associations for consumption. I took the trouble to acquaint myself with their tariff. One can have a bock of beer for five centimes (one cent), a cup of excellent coffee, five

centimes (one cent); moreover, the profits realized at the end of the month are sufficient to organize petty concerts, entertainments for the benefit of the soldiers, to give them a pass-book of "La Caisse Nationale de retraite pour la vieillesse" (old age pension fund). On this subject, an officer explains the working of that national old age pension fund that a great many French citizens are not cognizant of, it is sad to have to say so. They have done better still. With these savings, funds are sent to the wives of married soldiers.

'I am in favour of this co-operative principle for another reason that I will briefly point out. We have stated that we wanted to educate, from a social point of view, the citizen while in barracks. Well, then, co-operation is one of the best means to give that social education. It is thus that we shall train the working classes and that we shall get them ready to take their legitimate share in the economic administration.'

The other communication has been made by a superior officer, Commandant Grat-tau, at the last general meeting of the National Anti-Alcoholic League.

'We have made,' says this officer, 'at Fontainebleau, at the Lariboisière barracks, a conclusive experiment which can be applied to all the French army whenever the minister desires.

'We have opened in connection with our reading and writing rooms, a special room where a soldier while resting after his labour, can get, at the rate of two cents, a cup of coffee, tea or chocolate and in summer, cool beer.

'All beverages consumed are of the first quality and are most carefully prepared before being served.

'At the end of 1904 the results were as follows:—

	Francs.
Gross receipts.	3,690 15
Expenses.	2,820 15
Net profits.	870 05

'At the close of October, 1906, we had as a general result:—

	Francs.
Gross receipts.	28,472 20
Expenses.	21,648 37
Net profits.	6,823 83

'What have we done with these profits?

'We divided them into six items:—

	Francs.
Manager (a soldier selected by his companions, receiving fr. 0·35 per day and 5 per cent of the profits). . .	781 32
Improvements to the library.	457 15
Provident fund for the benefit of all the men in the battery	356 25
Entertainments given in the room.	566 25
Retiring fund (each man having his own pass-book). . .	2,980 50
Improvement and rest fund.	1,682 36
	6,823 83

'As a result of the opening of such a room, we have had the pleasure of witnessing a total absence of serious punishments, not one court martial was held, not one case of disciplinary court, almost no more confinement to jail or barracks.

'Our gunners rarely leave the barracks; they are contented to stay in, enjoying the home-life there.

APPENDIX No. 3

‘What has been done at Fontainebleau in one unit of the French army can be done as well in the 4,000 units (batteries, squadrons and companies) which compose the army.

‘If this example was followed by all the regiments of France, the total receipts would be 21 millions ; all expenses paid (establishment and maintenance), there would be a general profit of 9 millions with which the provident funds, the libraries, &c., could be subsidized without calling upon the state to do so.’

EXHIBITS

Exhibits Nos. 2, 3, 4, 5, 6, 7, 8, 9 and 10 are not printed.

EXHIBIT No. I.

[Translated.]

CONSTITUTION OF 'LA CAISSE POPULAIRE DE LEVIS,' A CO-OPERATIVE ASSOCIATION INCORPORATED UNDER THE 'QUEBEC SYNDICATES ACT, 1906.'

TITLE I.

Constitution, name, object, sphere of operation of the association.

Article 1.—The co-operative association with a variable capital and limited liability, organized at Lévis, electoral district of Lévis, on the sixth of December, 1900, and designated under the name of 'La Caisse Populaire de Lévis' is and shall be hereafter subject to the provisions of the 'Quebec Syndicates' Act, 1906.'

The name of the association is 'La Caisse Populaire de Lévis,' a co-operative association subject to the provisions of the 'Quebec Syndicats' Act, 1906.'

Article 2.—The objects of the association are :

1. To protect its members against reverses of fortune, the results of enforced idleness, sickness and want, by teaching them the inappreciable benefits of wise providential measures based on mutual assistance and co-operation, and, in particular, by instilling and developing in them the taste for, and the constant and energetic practice of, economy on the most modest scale ;

2. To aid them by a wise and prudent system of credit in the shape of loans and advances, the proposed employment whereof must be communicated to the association, be approved by it, and be in accordance with the spirit in which it is founded ;

3. To enable persons devoid of fortune but who are honest and laborious, to form part of the association by granting them facilities for paying up their shares in the capital stock by means of very small weekly instalments ;

4. To secure the practice of the Christian and social virtues that mark the good citizen, the honest, laborious and honourable worker, by exacting above all moral warranties of the highest order from the shareholders who borrow from the association ;

5. To combat usury by means of co-operation, by providing all who are deserving of the same, through their fondness for work, their skill and the integrity of their conduct, with the moneys they require for carrying on their business or occupation, thereby making them independent of lenders who levy exorbitant commission or interest, or of those who impose too onerous conditions in connection with credit ;

6. To foster the spirit of enterprise and promote local works, whether of an industrial or agricultural character, by the prudent use of the savings effected within the district covered by the association's operations ;

7. To spread amongst its members a practical knowledge of the elementary principles of economic science.

8. To teach them respect for their engagements, and also the advantages inevitably derived by those who faithfully fulfil the obligations they have undertaken ;

9. To create and foster mutual confidence between shareholders by means of economic relations based on the security of warranties of a high character, inasmuch as they are founded, in a very great measure, on morality, honesty, order, love of work and prudence ;

10. To gradually procure them—by persevering efforts towards securing economy and consequently a just measure of credit—that economic independence which inspires and fosters the feeling of personal dignity and convinces one of the need of relying above all upon oneself to improve one's position and raise oneself in the social scale.

Article 3.—The head office is in Lévis, in premises selected by the Board of Management.

Article 4.—The sphere of operations of the association does not extend beyond the limits of the electoral district of Lévis.

TITLE II.

Article 5.—The capital consists of shares of the value of five dollars each.

Article 6.—Shares are payable at the rate of ten cents per share weekly.

Article 7.—The entrance fee is fixed by the Board of Management.

Entrance fees go into the reserve fund.

Article 8.—The funds of the association consist of:—

1. The entrance fees.
2. The capital represented by the shares subscribed and either partially or entirely paid up by the shareholders;
3. The reserve fund, the provident fund and such other funds as may hereafter be established, together with everything else comprising the common assets of the shareholders;

4. The resources that it secures by loans, the members having always the preference in order to stimulate their spirit of thrift and to provide with a return as to encourage them to economize.

But the total amount of such loans shall never exceed that fixed by the Quebec Syndicates' Act, 1906.

Article 9.—The following qualities are required of each shareholder:—

He must be honest, punctual in his payments, sober and of good habits, industrious and laborious.

Article 10.—The following qualities are required of every shareholder who borrows from the association:—

1. He must be in good standing with the association;
2. He must have repaid all previous loans; not be in arrear in the repayment of a current loan or of the instalments due by him;
3. His endorsers or sureties must not have been called upon to pay on his behalf.

Article 11.—Any shareholder who leaves the limits of the association's operations, even for good, may keep his shares.

Article 12.—No shareholder who has a direct or personal interest in a matter before either the general meeting or the committee on loans, or the council of administration, or the committee of supervision of which he may be a member, can be present at the proceedings on such matter.

Article 13.—To be a shareholder one must be allowed to sign a declaration to that effect and to subscribe at least one share. The entrance fee of the share or shares so subscribed, together with the first weekly instalment of ten cents per share, are immediately payable.

TITLE III.

Article 14.—In the event of resignation, expulsion or death of a shareholder, he is entitled merely upon returning his pass-book to the association, to the repayment of his instalments paid upon the stock subscribed by him.

He cannot claim any share of the assets of the association, whether under the form of reserve or otherwise.

APPENDIX No. 3

He cannot claim interest or profit upon his paid-up shares and on his instalments for the ten current year. The latter provision does not apply to advances or loans he may have made to the association, which are repaid him in full with the interest earned.

Article 15.—Any shareholder who has not paid his weekly instalments for five weeks may, after due notice, be expelled from the association by the council of administration. He shall be entitled to the repayment of such instalments only as he may have paid up to the time of his expulsion upon returning his pass-book to the association.

.. Article 16.—Application for admission and re-admission to membership, and those in connection with transfer of shares must be addressed to the manager, who must submit them to the council of administration to pronounce upon definitively.

Nevertheless, this board may, by resolution, authorize the manager to grant or refuse these applications, but his decisions may be appealed from to the council of administration, whose decision is final.

Article 17.—All subscriptions of stock are established by an entry on a pass-book showing the number of shares so subscribed and the instalment or instalments made thereon. Said pass-book serves as the shareholder's stock certificate. It is returned to the association in case of withdrawal or of transfer of the whole of the stock.

Article 18.—No shareholder can transfer his stock without the consent of the council of administration. No application for transfer shall be considered if the transferring shareholder is indebted to the association, either as borrower, indorser or guarantor.

Article 19.—The assignment of stock is effected by a declaration of transfer which is deposited in the archives of the association and signed by the transferrer or his authorized attorney. If the transferrer is unable to sign, his assent will be established by the manager or by a witness.

Article 20.—The net annual profits coming to each shareholder may validly be paid to the bearer of the pass-book if duly authorized by the owner thereof.

Article 21.—Each share entitles the holder, according to the number of months elapsed, to a proportion of the yearly profits.

In the event of liquidation through dissolution, each share is entitled to a proportion of the assets after all debts are paid.

Article 22.—Shareholders are liable for the debts of the association to the extent only of the amount of their subscribed stock, paid up or not.

Article 23.—Any shareholder who has lost his pass-book may, on establishing his ownership, obtain from the association a duplicate of the lost pass-book on paying the fee fixed.

Article 24.—No shareholder can hold more shares than the maximum fixed from time to time by the general meeting.

Article 25.—A class of members is hereby created called auxiliary members. These members cannot vote nor be chosen as officers or members of a committee or fill any office of such a kind.

Article 26.—Married women (*femmes covert*) and minors may become auxiliary members.

Article 27.—All the transactions of the shareholders with the association are strictly confidential. They can be divulged only in case of decease or upon the order of a competent authority.

Article 28.—The capital may be increased by the subscription of new shares and by the admission of new members, and diminished by the withdrawal of members and the reimbursement either totally or partially of the money paid in, subject to the provisions of section nine of the Quebec Syndicates' Act, 1906.

Article 29.—Any shareholder may cease to belong to the association and withdraw the instalments he has paid on the shares subscribed by him, provided he is not a borrower, endorser or guarantor of a loan, and provided he gives a written notice of thirty days to the council of administration.

Article 30.—A member may be expelled from the association for the following reasons:—

1. Because he is bankrupt or insolvent, or because his property is liquidated judicially;
2. Because he has undergone imprisonment for some offence or crime; or has been sentenced to the same;
3. Because he has allowed himself to be sued for debt or because he neglects or refuses to pay what he owes to the association;
4. Because he has endeavoured to injuriously affect the working of the association;
5. Because he does not punctually fulfil the statutory and other obligations he has undertaken towards the association;
6. Because he has disturbed or endeavoured to disturb the general meetings or those of the various committees or of the council of administration;
7. Because he has deceived or endeavoured to deceive the association with regard to the use of borrowed moneys.

The striking of the shareholder's name from the list is finally ordered by the council of administration.

Article 31.—The seizure of the moneys paid by a shareholder into the treasury under any head whatsoever is considered a sufficient reason for expulsion.

Article 32.—The quality of shareholder is forfeited:—

1. By resignation;
2. By expulsion.
3. By death.

TITLE IV.

Operations of the Association.

Article 33.—The association grants loans, discounts or advances to and receives savings and other deposits from its members alone; it must give the preference to the smaller transactions, all things being equal.

Exception, however, is made in cases where the association fails to procure from the shareholders the necessary funds for its good working, then such advances can be made by non-shareholders.

Article 34.—The operations of the association consist:

1. In opening credits and to make secured loans.
2. In receiving loans from its members in the way of accumulated small savings.
3. In collecting debts.

Article 35.—The association undertakes to refrain from speculations in stocks whatsoever.

Article 36.—A reserve fund is established in order to better secure the soundness of the association. This reserve fund shall amount to at least double the maximum attained by the capital. It may be increased by resolution of the general meeting.

Article 37.—The reserve fund shall be made up from the following:—

1. The entrance fee paid on each share;
 2. An assessment of twenty per cent on the net profits of the year;
- Nevertheless this assessment of twenty per cent may, upon recommendation of the council of administration, be diminished or increased by resolution of the general meeting.

Article 38.—The reserve fund so established remains the exclusive property of the association.

Article 39.—If, in consequence of the variability of the capital, the reserve, provident or other funds that may be established in the future exceed at any time the

APPENDIX No. 3

maximum or the fixed proportion for each of these funds, compared to the then existing capital, such excess shall never be divided among the shareholders in the way of bonuses or otherwise.

Article 40.—The resources of the reserve fund are invested at the discretion of the council of administration to the best advantage for the interests of the association.

Article 41.—As the reserve fund is established chiefly for assuring the proper working of the association, it is affected only by extraordinary losses exceeding the other resources at the disposal of the association.

Article 42.—A provident fund is established to cover first extraordinary losses resulting from the operations of the association, and for other purposes.

Such fund shall be constituted by means of an assessment of ten per cent on the net profits of the year and this shall be done until such fund is equal to at least one-half of the maximum capital.

When it attains this limit, the assessment of ten per cent may be discontinued by a resolution of the general meeting, but it shall be again levied whenever the fund is reduced through losses or whenever the maximum of the capital has increased, and it is continued until the fund again attains the same proportions.

The general meeting may, by resolution, upon the recommendation of the council of administration, diminish or increase this assessment of ten per cent, or may decide that the whole of this fund shall be increased to a higher amount than the one fixed in the above second paragraph.

Article 43.—If the profits of the year, after deducting the costs of management, the losses and the assessment for the reserve fund, are not sufficient to allow of a dividend equal, or nearly so, to the average for the three years immediately preceding, the general meeting may order that the difference shall be made up out of the resources of the provident fund.

Article 44.—The association receives the savings of its members in the way of loans. These loans are repayable according to the conditions decided upon between the lenders and the council of administration. The interest payable is fixed upon by the same parties.

Article 45.—The better to attain one of the chief ends of the association, that of fostering the desire for, and of multiplying the beneficial results of, thrift by the practice of small savings, the council of administration shall, as soon as possible, organize and maintain a special branch in which savings of one cent shall be received.

Article 46.—All applications for loans or advances shall be forwarded to the manager, who is bound to submit the same to the committee on credit, who shall decide, whether the application is to be granted or refused. The maximum amount of credit that may be granted is fixed by the general meeting of the members.

Article 47.—The committee on credit shall determine the conditions of all loans.

Article 48.—The members of the committee on credit are prohibited from borrowing from the association and from becoming security for any loans or advances.

Article 49.—When the security for repayment is equal, small loans shall always have preference over larger ones.

Article 50.—The decisions of the committee on credit with regard to applications for loans must be adopted unanimously. In the event of refusal, the interested shareholder may appeal to the council of administration, who, after hearing the members of the committee on credit, as well as the shareholder, shall give their decision according to the majority of the votes.

Article 51.—The committee on credit may decide that the loans and advances shall be guaranteed by one or two solvent members.

The said committee shall inquire very carefully into the personal financial standing and condition of the borrower to ascertain whether reasonable confidence may be placed in his promptness to repay the loan. The committee must, above all, consider and obtain accurate information with regard to the honour, the spirit of order, the acti-

vity, honesty and ability of the borrower, for such are the chief warranties exacted by the association.

The borrower shall be bound to state, in his application for credit, the use he intends to make of the moneys asked for.

Article 52.—The salaried employees who handle the funds must give security in the discretion of the council of administration.

Such security shall be in the form of a guarantee policy from an insurance company, and the premium shall be paid by the association.

Article 53.—The liability of the shareholder towards the association with regard to endorsement or security is limited for each one to the amount fixed upon for the loan.

Nevertheless, the council of administration may, as an exception and in cases where the security offered by the shareholder is first-class, accept endorsements or security beyond such limit from the same shareholder.

Article 54.—The manager of the association and the salaried employees are prohibited from endorsing or becoming security.

Article 55.—The amount of the yearly dividend shall not exceed seven per cent on the paid-up shares, subject to the prescriptions relating to the reserve fund, the provident and other funds.

Article 56.—The members of the council of administration, of the committee on credit and of the committee of supervision are elected at the annual general meeting. They are elected by the majority of votes and may, at any time, be removed by the general meeting. The election may be had by ballot if the meeting so decide.

The term of office of members of the council of administration and of the committee on credit is two years. One-half are replaced every year, with the addition of one in the first year, if the total number be uneven.

The term of office of members of the committee of supervision is one year.

All members are re-eligible.

Article 57.—To be eligible for office the shareholder must be in good standing with the association and moreover have been a member for six months.

Article 58.—A shareholder cannot vote or be represented by proxy. Exception, however, is made in favour of corporate bodies who may be represented and may vote by proxy.

Article 59.—The services of the officers and of the various members composing the council of administration, the committee of credit and the committee of supervision who are charged with the administration of the association's affairs, are gratuitous. They are, however, entitled to travelling expenses, when necessary, as well as to those necessitated by the performance of special duties entrusted to them.

Article 60.—The affairs of the association are administered and supervised by :

1. A council of administration;
2. A committee of credit;
3. A committee of supervision;
4. The general meetings of the shareholders.

Article 61.—The council of administration consists of nine members chosen from amongst the shareholders by the general meeting. This number may be altered when necessary.

Article 62.—The directors are elected for two years. Five are replaced at the expiration of the first year, and four at that of the second year.

The directors who go out of office at the end of the first year are designated by lot, and afterwards they go by seniority.

Article 63.—In the event of one or more vacancies, the council of administration shall fill the same definitively.

The members so appointed remain in office only until the expiration of their predecessors' term of office.

APPENDIX No. 3

Article 64.—At its first sitting after the annual general meeting, the council of administration shall choose a president, a vice-president and a secretary, who shall constitute the executive of the board (*bureau*).

They remain in office until their successors are appointed the following year or until replaced during the year, if necessary, by the majority of the council.

Article 65.—The president, vice-president and secretary of the council of administration are likewise the president, vice-president and secretary of the association.

Article 66.—The council of administration meet as often as may be necessary in the interest of the association.

The presence of five members of the council is necessary to make valid the decisions thereof.

Article 67.—Decisions are adopted by the majority of the members present.

When the votes are equal the president has a casting vote.

Article 68.—A register of the proceedings of the council of administration is kept by the secretary.

The minutes are signed by the president or by the member who replaces him, and by the secretary.

Article 69.—The council of administration are vested with the most extensive powers and, in particular :—

1. They admit or refuse admission to shareholders; determine the conditions for the transfer of shares and the withdrawals of shares;
2. They accept regulations and pronounce upon the expulsion of members;
3. They appoint and remove the employees, determine their duties, fix their salaries and name the employee or employees who shall give security and fix the conditions and amount thereof;
4. They determine the expenses of management;
5. They adopt all the by-laws relating to the organization and good working of all the branches of the association;
6. They make out the balance sheets and propose the dividends to be paid;
7. They determine the manner in which the moneys of the reserve, provident and other funds are to be employed;
8. They propose to the general meeting such changes as may be necessary in the by-laws;
9. They may delegate to one of its members or to the manager powers not inconsistent with the duties of his office;
10. They take all the measures they may deem advisable in the interest of the association not within the jurisdiction of the general meeting or not inconsistent with the present by-laws or the law.

Article 70.—The management is entrusted to a salaried official called the manager, who may, in addition, perform other duties.

Article 71.—The manager represents the association under the immediate supervision of the council of administration, and as such he signs for the association. He attends the sittings of the council of administration when he does not already form part thereof, and has the right to express his opinion.

Article 72.—The manager has full control over the staff. He proposes the appointment, suspension and dismissal of employees to the council of administration, who decide the same finally.

Article 73.—In the event of the temporary or extended absence of the manager or in the case of a vacancy, the council of administration appoints a provisional or permanent substitute, as the case may be.

Article 74.—The general meeting select yearly from amongst the shareholders three members, who constitute the committee of supervision.

Article 75.—The members of the committee of supervision remain in office for one year. They are re-eligible.

They watch over all the operations of the association; frequently check the cash, the investments and securities; see to the carrying out of the by-laws, regulations and decisions of the general meeting; they can, if they deem it necessary, control each and every decision of the committee of credit, more especially with regard to loans and renewals thereof; they must ascertain the exact value of the securities in hand, and, in a word, take cognizance of all the documents they deem useful for the performance of their duties.

They are bound to call an emergency general meeting of the shareholders if they find anything serious in connection with the management of the association's affairs or any violation of the statutory prescriptions relating to the administration of the moneys paid into the funds or of the securities exacted for the repayment of loans.

They may, in the event of emergency or of extraordinary cases, suspend the salaried officials and members of the committee of credit, but shall at once report their reasons to a general meeting of the shareholders who shall decide upon the same.

They shall, when the case is not of sufficient importance to necessitate the calling of a general meeting of the shareholders, report their observations in writing to the council of administration. The latter shall be bound to act accordingly, and, if necessary, to remedy the state of affairs pointed out so as to remove all subjects of complaint.

Should the council of administration not act, refuse to take up the matter, or neglect to take the proper steps to remedy the state of affairs pointed out, whereof the committee of supervision are constituted judges, they may bring the matter before the next ordinary or special general meeting.

Article 76.—The members of the committee of supervision are chosen from amongst the shareholders who do not belong to the council of administration, the committee of credit or to any other temporary or standing committee and who hold no office, whether salaried or not.

Article 77.—The members of the committee of supervision are not allowed to borrow from the association. In this respect their position is similar to that of the members of the committee of credit and management.

Article 78.—If one or more vacancies occur in the committee of supervision, the council of administration shall fill them definitively. The members so appointed remain in office only during the unexpired term of office of their predecessors.

Article 79.—The members of the committee of supervision must meet as often as they deem necessary, and they submit a written report to every annual general meeting.

Article 80.—The committee of credit consists of the president and four shareholders chosen by the general meeting. The four shareholders so appointed must not belong to the council of administration nor to any committee.

Article 81.—The term of office of the four members of the committee of credit elected by the general meeting is two years.

One-half of the members of such committee retire every year. The two who go out the first year are designated by lot, and afterwards they go out by seniority.

They are re-eligible.

Article 82.—The committee themselves fix the days on which they meet and regulate everything regarding their organization and internal working.

Three members must be present to render their decisions valid.

Article 83.—No transaction in connection with a loan or advance can be made by the association without the previous approval of the committee of credit. Its decisions must be unanimously adopted by the members present.

Should they not be unanimous, the matter is brought before the council of administration, whose decision is final.

Article 84.—They superintend the drawing up of the daily, weekly, monthly and yearly statements, as the case may be, of the association.

APPENDIX No. 3

Article 85.—The manager and all the employees are bound to reply to the questions put to them by the committee of credit.

Article 86.—Should one or more vacancies occur, the council of administration fill them definitively.

The members so appointed remain in office only during the unexpired term of office of their predecessors.

Article 87.—The general meeting, when regularly constituted, represents the whole of the shareholders.

Article 88.—The meetings are called at least two days beforehand by letters sent to the shareholders individually or by advertisements in a newspaper published in the locality where the association has its head office or in the nearest locality of said head office.

Article 89.—The general meeting takes place every year on the third Thursday of December or the next following judicial day.

Article 90.—The general meeting deliberates and enacts in connection with all the interests of the association and confers upon the council of administration all the additional powers that are deemed necessary.

Extraordinary general meetings may likewise be called by the committee of supervision, by the committee of credit, by the council of administration, and also on a requisition signed by ten shareholders.

The president may call a general meeting of the shareholders at any time.

Article 91.—The general meeting is regularly constituted when ten shareholders are present. If that number be not present, another meeting is called with an interval of at least three days.

The decisions of the second meeting are valid whatever may be the number of shareholders present.

Article 92.—The general meeting is presided over by the president and, in his absence, by the vice-president or by a shareholder chosen by the meeting.

Article 93.—Decisions are adopted by the majority of votes. When individuals are affected by such decisions, or when five or more shareholders demand it, recourse is had to the ballot.

When the votes are equal, the president has a casting vote.

No shareholder shall have more than one vote, whatever may be the number of shares he owns.

Article 94.—No one can vote unless he has been a shareholder for at least three months and is in good standing with the association.

Article 95.—The ordinary meeting receives the reports on the state of the affairs of the association, and pronounce upon all questions submitted to its deliberations.

Article 96.—The proceedings are recorded by minutes drawn up and entered in a register by the secretary of the association. The minutes are signed by the president and by the secretary.

Article 97.—Extracts from or copies of the minutes are certified by the secretary or by the president.

TITLE V.

Article 98.—The fiscal year of the association begins on the first December and ends on the thirtieth November.

Article 99.—The manager, under the instructions given by the council of administration, draws up daily, weekly, monthly or yearly statements of the association's affairs.

These statements show the position of such affairs from the beginning of the year to date. They are placed at the disposal of the shareholders by being posted up in the office or otherwise.

An inventory is made by the manager at the end of each fiscal year.

A report shows the exact position of the association's affairs by means of a clear and succinct summary, as also all the transactions during the past twelve months.

The council of administration decides when it is necessary to publish what relates to the operations of the association and the best method of publishing the same.

Article 100.—After providing for all the costs of management and for losses the net yearly profits are divided as follows:—

1. Twenty per cent to the reserve fund;

2. Ten per cent to the provident fund;

3. The balance is divided amongst the shareholders in proportion to the time that their shares have been paid up. However, this apportionment of the net profits cannot amount to more than seven per cent so long as the reserve, provident and other funds are not completed as provided for by article 39.

Article 101. The question of the dissolution of the association may be put at a general meeting specially convened for that object at the request of three-fourths of the shareholders and on the unanimous recommendation of the members of the council of administration.

The dissolution cannot be voted if ten members oppose it. Absent shareholders may express their dissent in writing, which shall have effect as if expressed verbally at the meeting.

Article 102.—Not less than two-thirds of the shareholders shall be present at the meeting called to decide upon dissolution.

Article 103.—In the event of dissolution, the general meeting appoint three liquidators.

For that purpose the liquidators shall have the most extended powers either for realizing the securities or for distributing the proceeds amongst the members after paying off the liabilities and costs.

Article 104.—The council of administration are constituted a board of arbitration in the case of difficulties arising between shareholders or between the committees and the shareholders or between the members of committees. Its decision is taken by the majority of votes and is final.

Article 105.—Should the council of administration be unable to act because one or more members thereof are interested in the dispute, arbitrators are appointed from amongst the shareholders by the parties in conflict each of whom chooses an arbitrator. The award of the three arbitrators is given according to the majority of votes and is final.

Article 106.—Every order to pay whatsoever sum addressed to the association shall be signed by the payee.

Article 107.—Every proposed amendment to the by-laws or regulations shall first be sent to the council of administration, who deliberate thereon, and if they approve it, submit the same to an ordinary or special general meeting of the shareholders.

Article 108.—When necessary the council appoints from amongst its members standing and select committees for specified purposes.

Article 109.—The council may, within the provisions of the law, fix from time to time the maximum amount that may be advanced to the association, taking care always to favour small savings as much as possible so as to foster the spirit of forethought and a desire for the practice of strict economy amongst the poorer classes.

Article 110.—The committee on credit meet as the needs of the association require, at the call of the manager, or of the chairman or of two members thereof.

Article 111.—At their first meeting they elect a chairman for the year. The manager is *ex officio* secretary unless the duties of manager are performed by one of the officers of the association, in which case the committee may appoint one of their number secretary.

Article 112.—The committee on credit examine all applications for credit, ascertain the solvency of the applicant as well as the moral and material guarantees offered, and decide unanimously as to the granting or refusal of the applications.

APPENDIX No. 3

When it is impossible to obtain an unanimous decision, the matter is referred to the council of administration.

The committee shall always give the preference to smaller loans.

They take all the necessary steps for the management of the current affairs of the association, see to the recovery of debts and the faithful fulfilment of the engagements undertaken by the borrowing shareholders. They report to the council of administration on the state and needs of the treasury and propose such measures as may be necessary for regulating the movement of the funds according to the exigencies of the situation.

Article 113.—The manager has charge of the securities, cash, books of account.

He cannot in any case consent to credit being given a shareholder without the previous authorization of the committee of credit. He draws up or superintends the drawing up of a daily, weekly, monthly and yearly statements, as the case may be, of the association, of the balance sheets and inventories.

He pays the expenses incurred by the association, but shall require proof that each item of expenditure has previously been approved by the council of administration or the president, as the case may be.

Article 114.—The salaried officials must strictly abstain, under penalty of dismissal, from dealing either directly or indirectly, in any stock or similar speculations.

Article 115.—The manager and the various paid officials may be called before the council of administration, the committee on credit, the committee of supervision or any other committee that may hereafter be appointed as also before the general meeting, and must give all information in their possession with regard to the affairs of the association.

Article 116.—Everything connected with the accounts and statistical work is regulated by the council of administration.

Article 117.—Shareholders are entitled to pass-book bearing their names, approved of by the council of administration.

These pass-books shall be presented at every operation.

Article 118.—The interest on money advanced to the association is payable only after the end of the year. The council of administration can, however, authorize the manager to dispense with this rule whenever he thinks it to the best advantage of the association.

Article 119.—The association reserves full liberty to itself with regard to the acceptance or refusal of advances made by its members; it also reserves to itself the right to repay any advance or a proportion thereof on giving notice to the depositor by registered letter.

Article 120.—The president presides over the general meetings of the shareholders and over the meetings of the council of administration, maintains order thereat and decides questions of simple procedure.

He has a casting vote when the votes are equal.

He performs the other duties connected with his office.

Article 121.—The vice-president replaces the president when absent and has all his powers. In the event of the president's inability to act, resignation or death, he succeeds him for the remainder of his term of office.

Article 122.—The secretary has the custody of the archives of the association; he draws up the minutes of the general meetings of the shareholders and of the meetings of the council of administration. He gives communication of the same at the meetings of the association and of the council. He performs all the duties connected with his office.

Article 123.—At the beginning of each year the council of administration fix the amount of the entrance fee based on the importance of the private assets of the association.

7 EDWARD VII., A. 1907

The foregoing rules have been adopted at a special general meeting held the twentieth of September, 1906.

Lévis, September 27th, 1906.

(Signed) L. J. ROBERGE, *Secretary.*
(Signed) ALPHONSE DESJARDINS, *President.*



GretagMacbeth™ ColorChecker Color Rendition Chart